

Southwest®

2018

# One Report



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**“Southwest has a great heart, a great soul. It is just wonderful that it also all comes together as a great business.”**

—Gary C. Kelly, Chairman of the Board and CEO

## 2018 One Report

The One Report highlights our commitment to the triple bottom line of Performance, People, and Planet. This three-pronged commitment reinforces our focus on global citizenship and supports our Purpose to connect People to what’s important in their lives through friendly, reliable, and low-cost air travel, and our Vision to become the world’s most loved, most flown, and most profitable airline.<sup>1</sup>

### Our Triple Bottom Line

The One Report is our comprehensive, integrated report that includes information on our financial performance, our People, our citizenship efforts, the key events of 2018, and what’s on the horizon for Southwest. All information presented is as of Dec. 31, 2018, unless otherwise noted.

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# Bringing Service to New Heights

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2018 marked Southwest's 46th consecutive year of profitability—proof that our People-centric approach to business continues to resonate with Customers. This year we doubled down on service: from taking bold actions to innovate the Customer Experience, to strengthening our network, to giving back in the communities where we live and work. At every turn, we seek to lead with a Servant's Heart—so that we can continue to connect People to what's important in their lives. Read on to learn more about how we put our Heart in action. Welcome to this year's One Report.





## KEY HIGHLIGHTS

Introducing  
**Wings and  
LEAD Center**  
our world-class operations  
and training facility



800,000+  
square feet  
together

LEAD, home  
to our flight  
training center

Demonstrates  
our commitment  
to Dallas

**46**  
consecutive years  
of profitability

Record  
**134M+**  
Customers served

**#1**  
Marketing Carrier in  
Customer Satisfaction  
per the U.S. Department of  
Transportation (DOT) data<sup>2</sup>

**32.8%**  
improved jet  
fuel efficiency  
since 2005 on a revenue  
ton mile (RTM)<sup>3</sup> basis

## A Word from Gary

“We like to say that we’re a family, and in turn, we want to treat our Customers as if they were guests in our own home. And the nice thing about Southwest, it’s just in our DNA—that’s who we are.”

—Gary C. Kelly, Chairman of the Board and CEO





## 30,000 Foot View

Our Purpose is to connect People to what's important in their lives through friendly, reliable, and low-cost air travel. Our point-to-point network of 99 destinations allows us to live out our Purpose, serving Customers on more than 4,000 flights per day during peak travel season. Serving more than 134 million Customers in 2018—an all-time annual record—allowed us to take care of our People, invest in our business, give back to the communities we serve, and reward our Shareholders.

# System Map

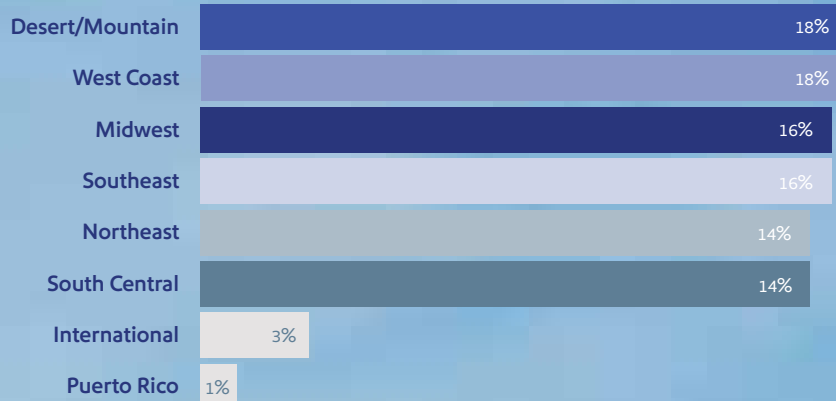
(as of Dec. 31, 2018)

View our interactive route map for our most current list of destinations at: [www.southwest.com/routemap](http://www.southwest.com/routemap)



## Capacity by Region

(as of Dec. 31, 2018)



# Top 10 Airports

(daily departures on a representative day in November 2018)

1

**MDW: 255**

Chicago Midway

5

**PHX: 183**

Phoenix

8

**LAX: 130**

Los Angeles

2

**BWI: 209**

Baltimore-Washington

6

**DAL: 180**

Dallas Love Field

9

**OAK: 127**

Oakland

3

**LAS: 204**

Las Vegas

7

**HOU: 164**

Houston Hobby

10

**ATL: 126**

Atlanta

4

**DEN: 203**

Denver

## Sharing our Success



More than  
\$25 million

total corporate donations  
(monetary and in-kind  
ticket donations)



\$2.3 billion

in Shareholder  
returns



\$544 million

in Employee  
ProfitSharing



## Reporting Approach

Our Employees, Customers, Shareholders, suppliers, and community groups all contribute to the many opportunities we see for the future of our Company. We listen to and learn from our many Stakeholders, which shapes the content of the One Report and reflects our ongoing commitment to connect People to what's important in their lives.





## Ranked 8th

(in 2018)

Most Admired Companies  
in the World list

*FORTUNE magazine*



## Ranked 6th

In the Top 10 Airline–World category.  
Honors for Best Airline in North America;  
Best Economy Class in North America;  
and Best Airline in the United States.

*TripAdvisor*

## Designated a Best Employer in 2018

*Forbes*



## Recognized as a Best Place to Work 2018

*Glassdoor*



## Designated a 2019 Military Friendly® Company

*Victory Media*



## Received the Air Cargo Excellence Diamond Award

(up to 999,999 tonnes category)

*Air Cargo World*



## Named one of the 100 Best Corporate Citizens 2018

*Corporate Responsibility Magazine*

## Won

Best Customer Service  
Program of the Year,  
Rapid Rewards®  
Best Loyalty Credit Card  
Best Airline Redemption Ability  
Best Elite Program  
Best Promotion

*Freddie Awards*



## Named one of the Most Reputable Companies and Best Employers for Diversity

*Forbes*

# Reaching New Heights Through Exceptional Performance

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2018 was an incredible year of resilience and achievement at Southwest. We carried a record number of Customers and had one of the best financial performances in our Company's history, with record net income, excluding special items,<sup>4</sup> and record operating and free cash flow.<sup>4</sup> We further diversified and strengthened our route network, preserved our strong financial position, and returned significant value to our Shareholders. Read on for a look at our financial and operational performance.



## KEY ACCOMPLISHMENTS

46 years



2018 was our **46th consecutive** year of profitability.



Announced plans to serve

four

destinations in Hawaii

Number One

**#1 Marketing Carrier in Customer Satisfaction** per the U.S. Department of Transportation (DOT) data<sup>2</sup>



“Southwest’s commitment to a low-fare brand is enabled by low costs. Our all-Boeing 737 fleet, high utilization, high Employee productivity, fleet modernization efforts, and point-to-point network help to keep our costs low. We are the only domestic airline that can claim 46 consecutive years of profitability. Our industry-leading, A-rated balance sheet demonstrates management in the good times to prepare for the bad times. Our returns on capital are strong. We’ve grown prudently and profitably. We share the Company’s financial success with our Employees who take great care of our Customers. We are committed to responsible capital deployment, including the return of significant value to our Shareholders.”<sup>1</sup>

—Chris Monroe, Senior Vice President Finance



## KEY TOPIC

## Economic Performance

2018 was an incredible year of resilience and achievement at Southwest. Our Employees persevered through significant challenges while delivering our 46th consecutive year of profitability. We successfully implemented new revenue management enhancements that produced approximately \$205 million of pre-tax profits. We continued work toward Extended Operations (ETOPS) authorization in preparation for future Hawaii service. We revised our Boeing delivery schedule for more 737 MAX aircraft to support continued fleet modernization. We expanded Cargo services internationally. Our Employees worked together as One Team to deliver their world-renowned Customer Service and Hospitality that, once again, brought a record number of Passengers to Southwest, generating record revenues.

Southwest continues to be a Low-Fare Leader in the airline industry, maintaining low-cost discipline and prudently managing growth opportunities and investments in aircraft, technology, and facilities.

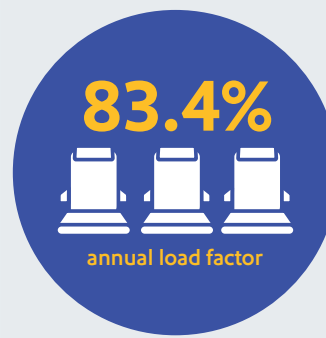
## STORIES

[Reporting on Business Performance](#)[A Decade of Consistent Performance](#)

23.6%  
ROIC

### Sustained Returns

We delivered another year of strong annual pre-tax return on invested capital (ROIC)<sup>4</sup> performance in 2018, and 18.4% after-tax.



83.4%  
annual load factor

### Strong Demand

Demand for our low fares remained strong in 2018, and our annual load factor<sup>5</sup> remained high.





## Reporting on Business Performance

Southwest's Annual Report to Shareholders includes an opening letter to Shareholders from Gary Kelly, Chairman of the Board and Chief Executive Officer, and provides an overview of our business and financial performance in 2018. It includes a discussion of our business, risks, Management's discussion and analysis of Southwest's financial condition and results of operations, and audited financial statements.

**Read our 2018 Annual Report [here](#).**

Southwest's Proxy Statement is provided to Shareholders in advance of the Annual Meeting of Shareholders. It contains Shareholder proposals as well as Executive compensation information.

**View the complete 2019 Proxy Statement [here](#).**

### Our Performance: At a Glance

**46th**

consecutive year  
of profitability



Annual pre-tax  
ROIC of  
**23.6%, or 18.4%**  
on an after-tax basis<sup>4</sup>

Record annual  
net income of  
**\$2.4 billion<sup>4</sup>**



Record yearend  
cash balance of  
**\$3.7 billion**

Record operating  
cash flow of  
**\$4.9 billion**



Record free  
cash flow of  
**\$3.1 billion<sup>4</sup>**

**134M+**  
Record Passengers  
carried



**58,000+**  
Full-time Employees

**750**  
Boeing 737 aircraft



**99**  
Destinations  
served

# A Decade of Consistent Performance

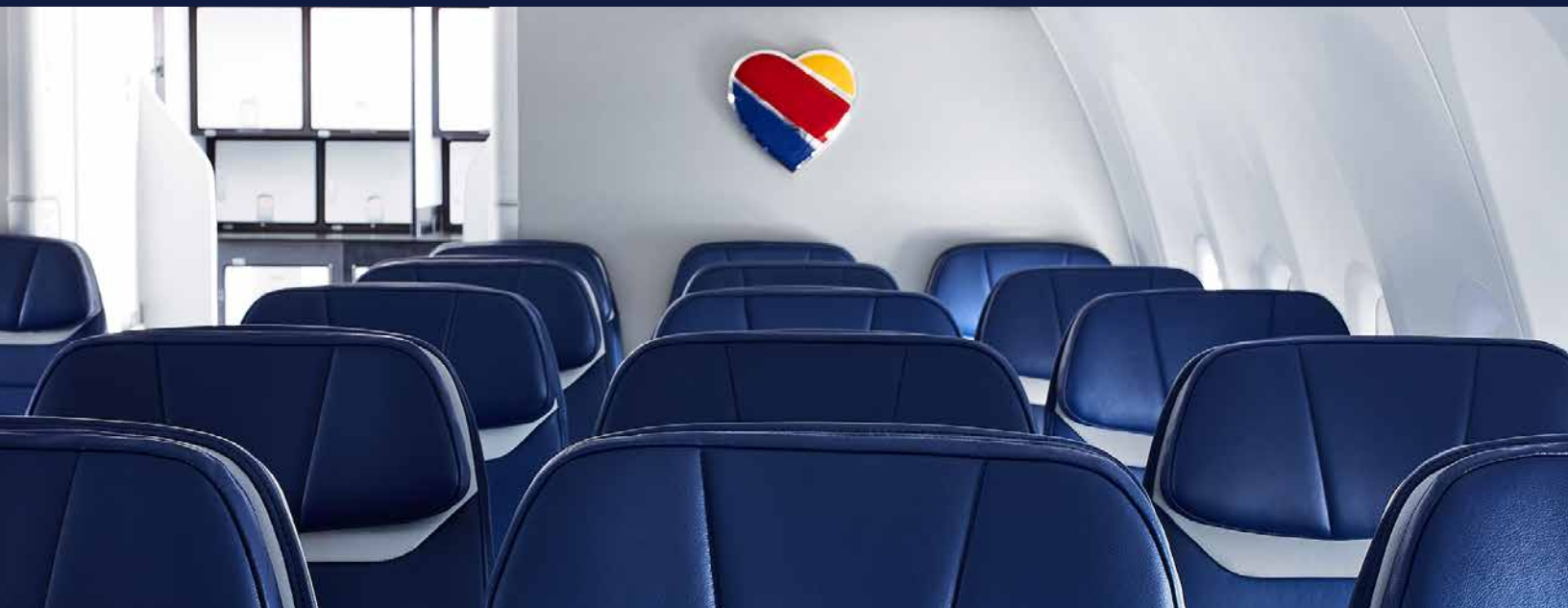
Our Ten-Year Summary tells a story of consistent profitable performance.

## Ten-Year Summary

(Dollars in millions except per share amounts, unaudited)

	2018	2017 As Recast <sup>15</sup>	2016 As Recast <sup>15</sup>	2015 As Recast <sup>16</sup>	2014 As Recast <sup>16</sup>	2013 As Recast <sup>16</sup>	2012 As Recast <sup>16</sup>	2011 As Recast <sup>16</sup>	2010 As Recast <sup>16</sup>	2009 As Recast <sup>16</sup>
<b>Selected Consolidated Financial Data</b>										
<b>Operating revenues:</b>										
<b>Passenger</b>	\$ 20,455	\$ 19,763	\$ 19,068	\$ 18,299	\$ 17,658	\$ 16,721	\$ 16,093	\$ 14,754	\$ 11,489	\$ 9,892
<b>Freight</b>	175	173	171	179	175	164	160	139	125	118
<b>Special revenue adjustment</b>	-	-	-	172	-	-	-	-	-	-
<b>Other</b>	1,335	1,210	1,050	1,170	772	814	835	765	490	340
<b>Total operating revenues</b>	21,965	21,146	20,289	19,820	18,605	17,699	17,088	15,658	12,104	10,350
<b>Operating expenses</b>	18,759	17,739	16,767	15,821	16,437	16,478	16,502	15,074	11,252	10,236
<b>Operating income</b>	3,206	3,407	3,522	3,999	2,168	1,221	586	584	852	114
<b>Other expenses (income), net</b>	42	142	72	520	352	12	(99)	261	107	(50)
<b>Income before income taxes</b>	3,164	3,265	3,450	3,479	1,816	1,209	685	323	745	164
<b>Provision for income taxes</b>	699	(92)	1,267	1,298	680	455	264	145	286	65
<b>Net income</b>	\$ 2,465	\$ 3,357	\$ 2,183	\$ 2,181	\$ 1,136	\$ 754	\$ 421	\$ 178	\$ 459	\$ 99
<b>Net income per share, basic</b>	\$ 4.30	\$ 5.58	\$ 3.48	\$ 3.30	\$ 1.65	\$ 1.06	\$ 0.56	\$ 0.23	\$ 0.62	\$ 0.13
<b>Net income per share, diluted</b>	\$ 4.29	\$ 5.57	\$ 3.45	\$ 3.27	\$ 1.64	\$ 1.05	\$ 0.56	\$ 0.23	\$ 0.61	\$ 0.13
<b>Cash dividends per common share</b>	\$ 0.6050	\$ 0.4750	\$ 0.3750	\$ 0.2850	\$ 0.2200	\$ 0.1300	\$ 0.0345	\$ 0.0180	\$ 0.0180	\$ 0.0180
<b>Total assets</b>	\$ 26,243	\$ 25,110	\$ 23,286	\$ 21,312	\$ 19,723	\$ 19,177	\$ 18,350	\$ 17,805	\$ 15,249	\$ 13,978
<b>Long-term debt less current maturities</b>	\$ 2,771	\$ 3,320	\$ 2,821	\$ 2,541	\$ 2,434	\$ 2,191	\$ 2,883	\$ 3,107	\$ 2,875	\$ 3,325
<b>Stockholders' equity</b>	\$ 9,853	\$ 9,641	\$ 7,784	\$ 7,358	\$ 6,775	\$ 7,336	\$ 6,992	\$ 6,877	\$ 6,237	\$ 5,454

	2018	2017 As Recast <sup>15</sup>	2016 As Recast <sup>15</sup>	2015 As Recast <sup>16</sup>	2014 As Recast <sup>16</sup>	2013 As Recast <sup>16</sup>	2012 As Recast <sup>16</sup>	2011 As Recast <sup>16</sup>	2010 As Recast <sup>16</sup>	2009 As Recast <sup>16</sup>
<b>Consolidated Financial Ratios</b>										
Return on average total assets	9.6 %	13.9 %	9.8 %	10.6 %	5.8 %	4.0 %	2.3 %	1.1 %	3.1 %	0.7 %
Stockholders' equity per common share O/S	\$ 17.83	\$ 16.38	\$ 12.65	\$ 11.36	\$ 10.03	\$ 10.47	\$ 9.57	\$ 8.90	\$ 8.35	\$ 7.34
Operating margin	14.6 %	16.1 %	17.4 %	20.2 %	11.7 %	6.9 %	3.4 %	3.7 %	7.0 %	1.1 %
Net margin	11.2 %	15.9 %	10.8 %	11.0 %	6.1 %	4.3 %	2.5 %	1.1 %	3.8 %	1.0 %
Enplaned passengers	163,605,833	157,677,218	151,740,357	144,574,882	135,767,188	133,155,030	133,978,100	127,551,012	106,227,521	101,338,228
RPMs (000s) <sup>6</sup>	133,322,322	129,041,420	124,797,986	117,499,879	108,035,133	104,348,216	102,874,979	97,582,530	78,046,967	74,456,710
ASMs (000s) <sup>7</sup>	159,795,153	153,811,072	148,522,051	140,501,409	131,003,957	130,344,072	128,137,110	120,578,736	98,437,092	98,001,550
Passenger load factor <sup>5</sup>	83.4 %	83.9 %	84.0 %	83.6 %	82.5 %	80.1 %	80.3 %	80.9 %	79.3 %	76.0 %
Average length of passenger haul (miles)	988	991	1,001	994	978	966	941	939	885	863
Average stage length (miles) <sup>8</sup>	757	754	760	750	721	703	693	679	648	639
Aircraft utilization (hours and minutes per day)	11:10	11:11	11:08	11:13	10:54	10:45	10:55	11:10	10:48	10:50
Trips flown	1,375,030	1,347,893	1,311,149	1,267,358	1,255,502	1,312,785	1,361,558	1,317,977	1,114,451	1,125,111
Average passenger fare <sup>9</sup>	\$ 151.64	\$ 151.73	\$ 152.89	\$ 154.85	\$ 159.80	\$ 154.72	\$ 147.17	\$ 141.90	\$ 130.27	\$ 114.61
Passenger revenue yield per RPM <sup>10</sup>	15.34 ¢	15.32 ¢	15.28 ¢	15.57 ¢	16.34 ¢	16.02 ¢	15.64 ¢	15.12 ¢	14.72 ¢	13.29 ¢
Operating revenue yield per ASM <sup>11</sup>	13.75 ¢	13.75 ¢	13.66 ¢	13.98 ¢	14.20 ¢	13.58 ¢	13.34 ¢	12.99 ¢	12.30 ¢	10.56 ¢
Operating expenses per ASM <sup>12</sup>	11.74 ¢	11.53 ¢	11.29 ¢	11.26 ¢	12.55 ¢	12.64 ¢	12.88 ¢	12.50 ¢	11.43 ¢	10.45 ¢
Operating expenses per ASM, excluding fuel	8.85 ¢	8.88 ¢	8.73 ¢	8.60 ¢	8.46 ¢	8.17 ¢	8.07 ¢	7.73 ¢	7.62 ¢	7.19 ¢
Fuel cost per gallon, including tax	\$ 2.20	\$ 1.99	\$ 1.90	\$ 1.96	\$ 2.97	\$ 3.19	\$ 3.32	\$ 3.25	\$ 2.61	\$ 2.22
Fuel consumed, in gallons (millions)	2,094	2,045	1,996	1,901	1,801	1,818	1,847	1,764	1,437	1,428
Active, full-time equivalent Employees at yearend <sup>13</sup>	58,803	56,110	53,536	49,583	46,278	44,831	45,861	45,392	34,901	34,726
Aircraft at yearend <sup>14</sup>	750	706	723	704	665	681	694	698	548	541



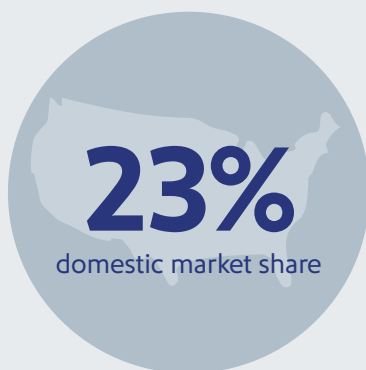
## KEY TOPIC

## Growing Our Robust Network

Our friendly, reliable, and low-cost air travel helped Southwest remain the largest domestic carrier in the United States.<sup>17</sup> We were the leader in 25 of the top 50 U.S. metro areas,<sup>17,18</sup> and we served 96 of the top 100 domestic origin and destination pairs, including co-terminal airports.<sup>17,19</sup>

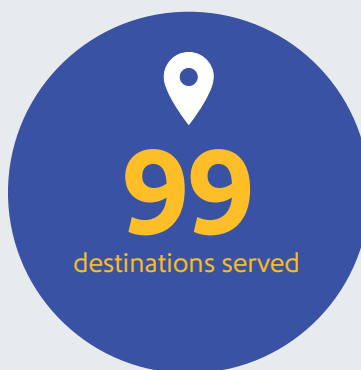
With a point-to-point network allowing for more direct routing, approximately 77 percent of our Customers flew nonstop during 2018, and as of Dec. 31, 2018, we served 704 nonstop city pairs. Our available seat miles<sup>7</sup> (capacity) grew 3.9 percent in 2018, year-over-year. As we look to the exciting growth opportunities ahead, we seek to expand our network prudently and profitably.<sup>1</sup>

## STORIES

[The Fleet](#)[The Southwest Network: California Strong](#)

### Largest Domestic Carrier

Southwest has 23% market share.



### Domestic and International

We served 99 destinations in 11 countries.



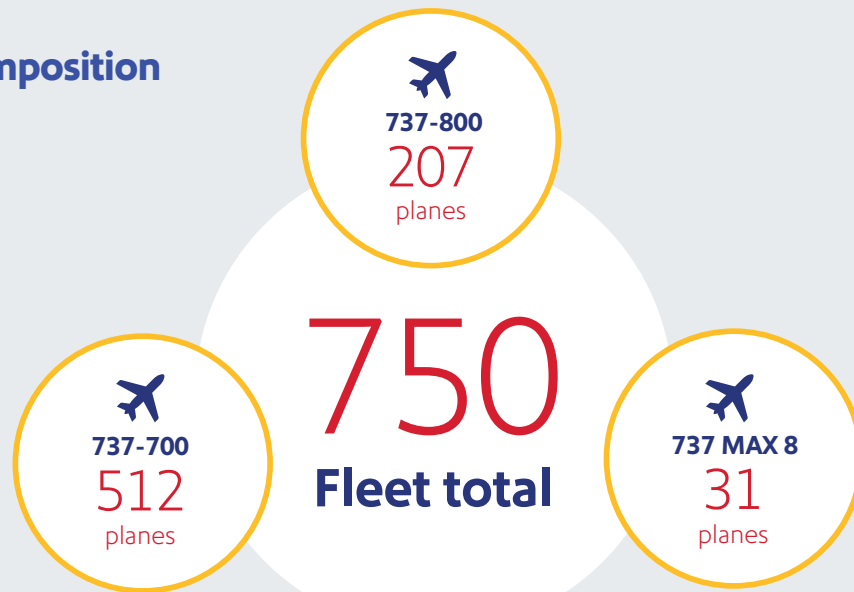
Growing Our Robust Network | The Fleet



## The Fleet

Southwest ended the year with 750 Boeing 737 aircraft in our fleet. We have the largest Boeing fleet in the world.

### Fleet Composition



*Growing Our Robust Network | The Southwest Network: California Strong*



## The Southwest Network: California Strong

Southwest began 2018 with a fleet deficit compared with 2017 as a result of the accelerated retirement of the Boeing 737-300 (Classic) fleet that was completed in third quarter 2017. With fewer aircraft in the fleet, the flight schedule was extended further into the shoulders of the day—the early morning and the late evening—than is customary, allowing us to preserve the strength of our point-to-point network. The suboptimal schedule was a headwind to our financial performance in the first half of 2018, but with more than 40 737 Next Generation and MAX aircraft added to the fleet throughout the year, we were able to better optimize the network and eliminate the inefficiencies by fourth quarter 2018. The new aircraft are part of our ongoing fleet modernization efforts, with more seats and improved fuel efficiency compared with the Classic aircraft.

Given the challenge of a fleet deficit, we had to be more selective with our capacity additions, and we sought opportunities that would be particularly beneficial for California flyers. During 2018, we connected new cities, added additional daily flights, and invested in Reliability to better serve our Customers in the Golden State. Southwest is California's largest carrier, carrying more than 25 percent of passengers who fly to, from, and within California.<sup>17</sup> In 2018 we built on our position of strength by adding more than 2.9 million seats that touch California, representing almost 60 percent of our 2018 growth.<sup>20</sup>

We were proud to announce new weekday nonstop destinations from nearly all of our California cities in 2018.

**Southwest is  
California's largest  
carrier, carrying more  
than 25 percent  
of passengers who  
fly to, from, and  
within California.**

From intra-state hops to New York nonstops, our California Customers now have more destinations to choose from than ever before. New daily nonstop flights connect Californians with New Orleans, Omaha, St. Louis, Indianapolis, Minneapolis, and many other domestic and international destinations across the Southwest system. For example, during 2018 Southwest seized the opportunity to grow the number of weekday flights at the slot-constrained<sup>21</sup> Long Beach Airport by 38 percent,<sup>22</sup>

*Growing Our Robust Network | The Southwest Network: California Strong*

including; adding three new nonstop flights to Las Vegas, and both Oakland and Sacramento received frequency increases. Among California's many new flights were brand-new nonstops which further connected the major technology hubs of Austin, Texas, and all four of Southwest's Northern California cities. In total, we added more than 20 new nonstop daily weekday California routes to the network in 2018.

While we added many new nonstop routes to California, we also continued to invest in our existing Golden State routes. Throughout the year, Southwest added nearly 30 additional frequencies in California, further supporting our industry-leading Intra-California market share in California of more than 60 percent.<sup>17</sup> The operational performance of our modernized aircraft allows California Customers to experience an unmatched level of service and a schedule that can be relied on.

This recent growth in the Golden State is just the beginning of Southwest's continued investment in California. We expect to continue launching new destinations, adding

additional frequencies, and improving our Reliability to further solidify Southwest's position as the official airline of the West Coast.<sup>1</sup> In fact, in April 2018, we announced our intent to serve Daniel K. Inouye International Airport in Honolulu, Kahului Airport on Maui, Lihue Airport on Kauai, and Ellison Onizuka Kona International Airport at Keahole on the island of Hawaii, from Oakland Metropolitan Airport, San Diego International Airport, Mineta San Jose International Airport, and Sacramento International Airport, thus further expanding the list of destinations with nonstop routes to California.

As we continued to optimize our route network, we made the difficult decision to end service to Flint, Michigan, in June 2018. After carefully analyzing travel patterns in the area it was found we could better serve Customers with flights from Detroit and Grand Rapids. Southwest continues to offer more than 20 daily weekday departures from the Wolverine State. Also, in March 2019, we announced our decision to cease operations to Benito Juárez Mexico City International Airport in order to reallocate resources to better opportunities within our existing route network.

# Looking Forward<sup>1</sup>



## ETOPS Authorization

In February 2019, we received authorization from the FAA for Extended Operations for our 737-800 aircraft.

## Hawaii Service

We began service to Hawaii in March 2019, with the 737-800 aircraft and are excited to connect our Customers to the Aloha State. We expect the 737 MAX 8 to be the preferred aircraft for Hawaii service in the future.

## Boeing 737 MAX 7

We expect to introduce the 737 MAX 7 to the Southwest Fleet.



# Performance Data Table

## Consolidated Highlights

(Dollars in millions except per share amounts, unaudited)

Year ended Dec. 31,	2018	2017 As Recast <sup>15</sup>	Change
Operating revenues	\$ 21,965	\$ 21,146	3.9 %
Operating expenses	\$ 18,759	\$ 17,739	5.8 %
Operating income	\$ 3,206	\$ 3,407	(5.9) %
Operating margin	14.6 %	16.1 %	(1.5) pts.
Net income	\$ 2,465	\$ 3,357	(26.6) %
Net margin	11.2 %	15.9 %	(4.7) pts.
Net income per share - basic	\$ 4.30	\$ 5.58	(22.9) %
Net income per share - diluted	\$ 4.29	\$ 5.57	(23.0) %
Stockholders' equity	\$ 9,853	\$ 9,641	2.2 %
Return on average stockholders' equity	25.3 %	38.5 %	(13.2) pts.
Stockholders' equity per common share outstanding	\$ 17.83	\$ 16.38	8.9 %
Revenue passengers carried	134,890,243	130,256,190	3.6 %
Revenue passenger miles (RPMs) (000s) <sup>6</sup>	133,322,322	129,041,420	3.3 %
Available seat miles (ASMs) (000s) <sup>7</sup>	159,795,153	153,811,072	3.9 %
Passenger load factor <sup>5</sup>	83.4 %	83.9 %	(0.5) pts.
Passenger revenue yield per RPM <sup>10</sup>	15.34 ¢	15.32 ¢	(0.1) %
Operating revenue yield per ASM <sup>11</sup>	13.75 ¢	13.75 ¢	-
Operating expenses per ASM <sup>12</sup>	11.74 ¢	11.53 ¢	1.8 %
Aircraft at yearend <sup>14</sup>	750	706	6.2 %
Active, full-time equivalent Employees at yearend <sup>13</sup>	58,803	56,110	4.8 %

## Performance Data Table

## Reconciliation of Reported Amounts to Non-GAAP Items<sup>4</sup>

(Dollars in millions except per share amounts, unaudited)

Year ended Dec. 31,	2018
<b>Net income, as reported</b>	<b>\$ 2,465</b>
Deduct: Net impact from fuel contract	(14)
Deduct: Gain on sale of retired Boeing 737-300 aircraft	(25)
Add: Net income tax impact of special items <sup>23</sup>	9
<b>Net income, excluding special items</b>	<b>\$ 2,435</b>

## Non-GAAP Return on Invested Capital (ROIC)<sup>4</sup>

(Dollars in millions except per share amounts, unaudited)

Year ended Dec. 31,	2018
<b>Operating income, as reported</b>	<b>\$ 3,206</b>
Net impact from fuel contracts	(14)
Gain on sale of retired Boeing 737-300 aircraft	(25)
<b>Operating income, non-GAAP</b>	<b>\$ 3,167</b>
Net adjustment for aircraft leases <sup>24</sup>	99
<b>Adjusted Operating income, non-GAAP (A)</b>	<b>\$ 3,266</b>
<b>Non-GAAP tax rate (B)<sup>25</sup></b>	<b>22.1 %</b>
<b>Net operating profit after-tax, NOPAT (A * (1-B) = C)</b>	<b>\$ 2,545</b>
Debt, including capital leases <sup>26</sup>	\$ 3,521
Equity <sup>26</sup>	9,853
Net present value of aircraft operating leases <sup>26</sup>	584
<b>Average invested capital</b>	<b>\$ 13,958</b>
Equity adjustment for hedge accounting <sup>27</sup>	(144)
<b>Adjusted average invested capital (D)</b>	<b>\$ 13,814</b>
<b>Non-GAAP ROIC, pre-tax (A/D)</b>	<b>23.6 %</b>
<b>Non-GAAP ROIC, after-tax (C/D)</b>	<b>18.4 %</b>

# Putting People First

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Like many companies, Southwest has a mission statement focused on our Customers: a dedication to providing the highest quality of Customer Service, delivered with a sense of warmth, friendliness, individual pride, and Company Spirit. Unlike many companies, we also have a mission statement that serves as a commitment to our Employees! Why? Because our People are our greatest strength and most enduring long-term competitive advantage.

So you won't hear us using the phrase "Human Capital Management" when referring to our People. And our folks in Human Resources? They don't work in HR—they're in the People Department. At Southwest, we do things a little differently. We've zigged when others have zagged. But we've never wavered from our People-centric philosophy.

## KEY ACCOMPLISHMENTS

Nearly 190k



In 2018, Southwest Employees **volunteered nearly 190,000 hours** to help causes and organizations they care about.



We served a record

134M+

Customers in 2018

800,000+ Sq. Ft.

The size of our new **world-class operational support and training facilities** at our Dallas campus.



“For nearly five decades, our world-famous Culture has created a loyal following with happy Employees translating to happy Customers and happy Shareholders—a philosophy that has proven to be a formula for success. We put People first, and that extends to our Employees, our Customers, and the people in the communities we serve. We’re often asked, “What’s the secret to Southwest’s success?” Our answer? It’s no secret—it’s our People.”

—Julie Weber, Vice President and Chief People Officer



# Southwest



## KEY TOPIC

## Employees

Southwest's Legendary Customer Service begins with the way we take care of our Employees. We've always believed that when you put your Employees first, your Customers feel the difference. We strive to create a diverse, inclusive, and high-performance workplace that allows each of our Employees to reach their full potential. We view the myriad of perspectives, skills, and experiences on our Team as strengths, so we seek to empower Employees to fully be themselves when serving our Customers—because genuine service is best when it comes from the Heart.

## STORIES

[Great People Work in Great Spaces](#)[A Snapshot of Southwest Employees](#)[Bold Blue: Because Our People Know Best](#)[The Power of Inclusion](#)[Equipping our Employees with Tools for Success](#)

\$544  
million

Earned by Employees in ProfitSharing in 2018.



April 2018, we opened the doors to **800,000 square-feet of world-class facilities** that house many of our Operational Teams and Pilot Training.

2+ million  
hours

Spent in Operations Teams training and education in 2018.





## Great People Work in Great Spaces

As the nation's largest domestic carrier,<sup>17</sup> we're constantly evolving to attempt to better meet People's needs. Whether that means implementing new technology to better assist Customers or investing in enhanced training equipment, we are always looking for opportunities to improve our Employees' work environment—both in the air and on the ground. Several workplaces were enhanced across our system during 2018.

### Launch of Wings

As our operational needs have expanded over the years, we needed more space to support our Operational Employees and training activities. In April 2018, we were thrilled to open the doors to Wings, the newest facility on our Corporate Campus in Dallas.

A beautiful winglet, donated by Boeing, greets visitors to Wings, a fitting way to welcome them inside the building that houses many of our Operational Teams. The new 800,000-plus-square-foot facility features office and support areas in Wings and also contains a flight training

facility called the LEAD Center (Leadership Education and Aircrew Development), which allows us to train more Pilots, preparing us to meet future opportunities for fleet growth. All of our Pilots train at the LEAD Center in state-of-the-art flight simulators. Guests and those not in training can watch Pilots practice simulated takeoffs, landings, and encounters with turbulence from an observation room called "The Lookout."

Our investment in the Wings facility also demonstrates our commitment to our hometown of Dallas.



*Employees | Great People Work in Great Spaces***The Bridge**

At Southwest, we aim to connect People—and our new cross-Campus bridge has given us a brand-new way to do so. As our Campus has expanded, our Employees needed a safe way to cross a multi-lane road, a light-rail line, and a railroad track. The Bridge connects the multiple buildings on the east and west sides of our Corporate Campus, allowing Employees to travel between them safely and easily. The Bridge officially opened in April 2018, and many Employees joined together to celebrate the inaugural walk across.

As a way to thank all Employees for helping make Southwest successful, the names of every single person employed by Southwest as of Jan. 1, 2018, span the interior windows of the Bridge. The idea for this incredible tribute came from our Employees, and it illustrates how much our People mean to us.

**Culture Centers**

Our Corporate Campus contains several Culture centers—unique, open spaces where Employees can collaborate, hold Team get-togethers and celebrations, and work away from their normal office environment. Each Culture center is themed to highlight a specific aspect of Southwest's Culture, and no two are alike. Themes range from our Company's history to qualities we value in Leaders. Three Culture centers on the first floor of our Headquarters remind us of the qualities that unite all Southwest Employees—our Warrior Spirit, Servant's Heart, and Fun-LUVing Attitude.

As a nod to our themed Culture centers, several locations outside of our Corporate Campus installed Culture feature walls in 2018. These walls provide Employees with dedicated areas to share fun photos, highlight the actions of individual Cohearts, and celebrate Living and Working the Southwest Way. At the end of 2018, 51 Culture feature walls have been installed throughout our system to celebrate Employees in the cities where they live and work.

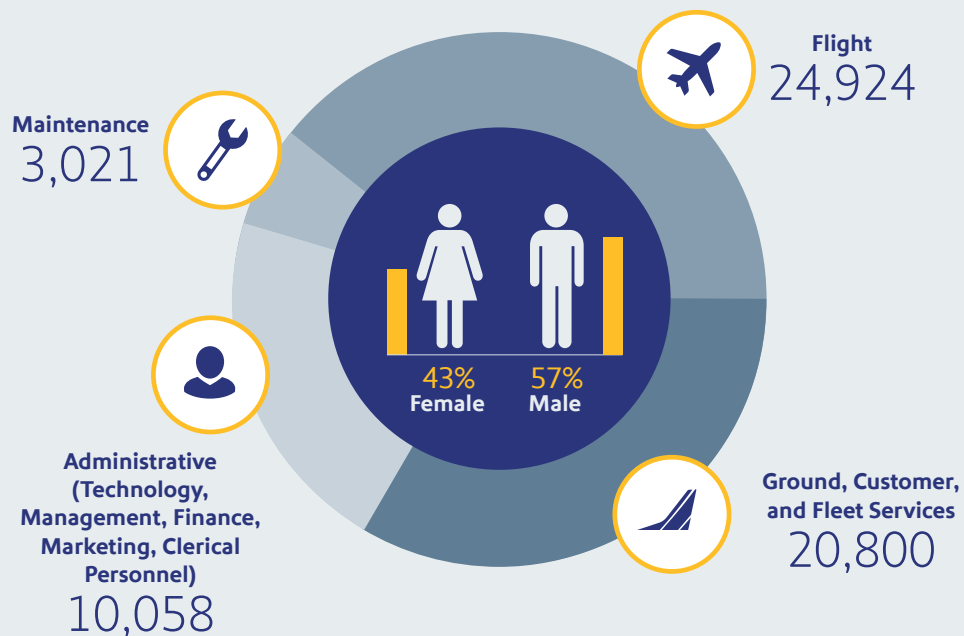
Employees | A Snapshot of Southwest Employees



## A Snapshot of Southwest Employees

It takes a great Team to keep us flying. Here's a closer look at our talented and diverse group of more than 58,000 Employees.

### Breakdown of Employees by Workgroup and Gender<sup>13,28</sup>



14%



of Employees (more than 8,000) have reported being active duty military/veterans



Employees | *Bold Blue: Because Our People Know Best*



## Bold Blue: Because Our People Know Best

As a People-first Company, we've always sought to respond to the changing needs and expectations of our Customers and Employees. People-centric innovation is a chief reason we've been so successful over the decades. In 2014, we updated Southwest's look with a bold Heart rebrand inspired by our love of People. In 2017, we introduced an all-new look for our uniformed Employees—designed for Employees by Employees. In 2018, we refreshed our onboard service items to better align with the bold look of our logo, aircraft, and uniforms.

At Southwest, we have long believed that the best ideas often come from our Employees and that their input can be especially valuable when it impacts their day-to-day work. Thanks to the help and guidance of our Flight Attendant Strategy Team (FAST), we introduced an improved collection of signature service items that include snack baskets, ice scoops, and a condiment caddy.

FAST is a solution-oriented group of Flight Attendants with varying seniority and backgrounds, and they were the perfect partner for the redesign of our service items.

Since its inception in 2012, FAST Team Members have provided expert feedback and collaborated with other Teams throughout Southwest on several projects that have positively impacted countless Employees and Customers.



"I am thrilled about this project, and being a part of a Team that was so thoughtful in trying to get things right for our Flight Attendants was a huge accomplishment. The tools we use are so important in our everyday work life, and to refresh them makes me so proud."

—Nayo Alston, Flight Attendant

Employees | *Bold Blue: Because Our People Know Best*



The Bold Blue Service Item collection was entirely designed by FAST, and their expertise is immediately evident. Rounds of iterative prototyping, hands-on testing, and feedback from Employees resulted in designs that are clean, sleek, and modern. Each item is made out of a flexible material that is lighter and longer-lasting than previous products, and the new collection complements our Company's bold look.

By utilizing input from the People who know best—our Employees—Flight Attendants are enabled and empowered to better serve our Customers and deliver our famous Southwest Hospitality.

## Designed by Employees, for Employees

Our Flight Attendant Strategy Team (FAST), who designed the Bold Blue Service Item collection, included:

5

Base Supervisors



24

Flight Attendants





## The Power of Inclusion

Team, value, and respect: These three pillars are the foundation of our inclusive environment at Southwest.

Our People are (and always have been) our most valued assets. We rely on our **Team** for collaboration to achieve our common goal. We **value** our Employees and empower them to be their authentic selves while meeting Southwest's expectations for Employees to Live and Work the Southwest Way. We show **respect** to our Fellow Employees every day.

Each of our more than 58,000 Employees brings unique talents and perspectives to Southwest. Recognizing,

respecting, and valuing our Employees for their diversity and uniqueness is vital to Southwest's continued success. Fostering an environment where all Employees feel valued and included is crucial to our Culture, so we emphasize the importance of our Diversity and Inclusion pillars in everything we do.

We seek to foster a Culture where all Employees feel valued and included. Together, we believe that diversity results in better Teamwork and innovation, and allows us to better serve our Customers. The collaboration of more than 58,000 backgrounds and experiences can help us live out our Purpose and achieve our goals as One Team.

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**Each of our more than 58,000 Employees brings unique talents and perspectives to Southwest. Recognizing, respecting, and valuing our Employees for their diversity and uniqueness is vital to Southwest's continued success.**

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*Employees | The Power of Inclusion***Diversity and Inclusion at Southwest**

To help cultivate an environment that fuels our unity, our Diversity and Inclusion Department hosts a variety of events throughout the year. These events, which range from day-long conferences to lunch seminars, focus on bringing our Employees together to celebrate what makes us all unique.

In 2018, the Diversity and Inclusion Team hosted monthly Power of Inclusion events. Each event featured guest speakers and gave our Employees the opportunity to get together and celebrate our unique perspectives. Each event celebrated a monthly theme, such as Black History Month, Asian American and Pacific Islander Heritage Month, and LGBTQ Pride Month.

**Diverse Backgrounds at Work**

When Employees become part of our Team, they bring their skills, perspectives, and personal experiences with them. We empower our People to be themselves—as we believe that Employees are best equipped to serve People when it comes from the Heart. By embracing and utilizing diversity and uniqueness, our Employees can address People's needs with warmth, friendliness, and a sense of individual pride.

**A Common Language**

Last year, Flight Attendant Tammy Myers got to draw on her unique background while extending a bit of our trademark Southwest Hospitality to a Customer on a Mother's Day flight out of Phoenix. Prior to joining Southwest, Tammy had retired from the Texas School for the Deaf, and was



fluent in American Sign Language. When Tammy met Customer Dolores Gonzales, she immediately sensed that Dolores might know how to sign. Dolores was surprised and delighted. After the Captain wished the Customers a Happy Mother's Day, Tammy signed "Happy Mother's Day" to Dolores, to ensure that she wasn't left out of the celebration.

**To Honor and Serve**

Similarly, Call Center Team Leader Julio Salazar's experience serving in the U.S. Navy has allowed him to serve the needs of deployed service men and women around the world. When Julio joined Southwest three years ago, he had served in the Navy for 24 years. So he brought with him a deep understanding of the importance of receiving mail while deployed. Julio has helped organize an effort that sends handwritten letters and care packages to deployed service men and women to show them that we are grateful for their service. Patriotism runs deep at Southwest, and we're proud of the more than 8,000 Employees who have served or are actively serving, and the 1,300 military spouses currently in our Southwest Family.

Tammy and Julio both serve as a reminder of the importance of the Diversity of our Team. When Employees are free to draw on their own personal experiences to serve others, they are more capable of living out our Purpose—connecting People to what's most important in their lives through friendly, reliable, and low-cost air travel.





## Equipping our Employees with Tools for Success

We've been focused on People from our very beginning, so it's no surprise that Southwest places heavy importance on investing in our more than 58,000 Employees. After all, our Employees are what set Southwest apart. Supporting our Employees in achieving their career goals at Southwest is important to us, and we strive to ensure that we provide the continuing education and training opportunities that our Employees want and need.

### Employee and Leadership Development Training

Southwest Airlines University (SWA U) provides centralized training at our state-of-the-art training facility in Dallas. SWA U offers functional job training and core Leadership courses like "Leadership Southwest Style" for our Frontline Leaders and "Next Level Leadership" for Managers.

One particular program offered as a partnership between SWA U and our People Department is our Emerging Leader Development Program (ELDP). ELDP is an intense, fast-paced, job-rotation program that seeks to train and develop excellent Leaders for Southwest. Participants are placed in designated locations across the Southwest system for 18 months of on-the-job training in Leadership roles and provided Leadership training at our Headquarters in Dallas. In addition to Leadership training, participants also receive airport



"Applying for ELDP has been the best choice I have made as a Leader, and it has helped me grow tremendously within a short, 18-month period. What you learn as an ELDP participant will be applicable not only at work, but also in life."

—Joseph Grant, ELDP graduate and Manager of Ramp and Operations

*Employees | Equipping our Employees with Tools for Success*

experience—both above the wing and below the wing, as well as Customer Support and Services (CS&S) experience—giving them exposure to three very different areas of our business. Upon successful completion of the program, participants are placed in a permanent Leadership role at Southwest.

ELDP participants have a passion for People Leadership and are champions of Southwest initiatives. They demonstrate our core expectations of Living and Working the Southwest Way and actively seek opportunities to learn and grow. The program is a great example of the Leadership training opportunities available to current Southwest Employees as well as external applicants who want to gain valuable Leadership skills and experience. Since ELDP began in 2013, more than 170 Leaders have graduated from the program.

**The Importance of Investing in our Employees**

At Southwest we know how important it is to invest in our People. Through training, continuing education, and mentorships we are able to find avenues to support the growth of our Employees. Equipping our Employees with the tools and resources for personal success empowers them to better serve our Customers, making Southwest stronger as a whole.

**2018 Employee Training Hours**

# More than 2 million hours

in training & education, systemwide



**Ground  
Operations**

737,256



**Pilots**

543,360



**Flight  
Attendants**

442,807



**Customer Support  
& Services**

181,670



**Maintenance**

166,324

## More than 820,000



**Safety & Security training  
hours for all Employees**



## KEY TOPIC

## Customers

Customers are at the Heart of everything we do—after all, we have long thought of ourselves as a Customer Service organization that just happens to fly airplanes. Last year, a record of more than 134 million Customers chose to travel with Southwest—helping us reach our 46th consecutive year of profitability. Our continued success reinforces the importance of what's brought us this far and serves as a signpost for what's ahead. By finding new ways to extend our Legendary Customer Service and continuing to offer friendly, personal Southwest Hospitality, we're pursuing our Vision to become the world's most loved, most flown, and most profitable airline.<sup>1</sup>



### California Love

Since 2016, our California Employees have dreamt up new ways to engage with our Customers.



### Top 10 Airline—World

In 2018, TripAdvisor ranked us sixth in the Top 10 Airline—World category.

## STORIES

[Sharing Our Heart in California](#)[For Us, It's Personal](#)[Partnerships That Make a Difference](#)[Using Our Southwest Hearts to Engage on Meaningful Topics](#)





## Sharing Our Heart in California

California has always been near and dear to our Hearts. We've proudly been serving Customers in the Golden State since 1982, and after more than three-and-a-half decades we are more committed to California than ever.

### California Strong

For more than a year, our Employees have been leading a grassroots effort known to us as 'California Strong' to take our Legendary Hospitality in California to the next level. We love to wow Customers with our Fun-LUVing Attitude, and in 2018, our California Stations helped us set a new bar for Customer Service Excellence through designated fun flights, gate games, and celebrations. For example:

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**Since June 2016, our Employees  
have hosted more than  
4,000 fun flights, gate games,  
and celebrations in California.**

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### Sacramento

Employees handed out Southwest sunglasses to prepare our Customers for a sunny arrival in San Diego, handwritten thank you cards to share with Customers as they boarded, and kicked off their early morning flights with donuts for all. On another flight departing from Sacramento, Employees identified the A-List Preferred Passenger with the most Rapid Rewards® Points and asked Customers in the gate area to guess how many points he had accumulated in his lifetime. Both the winner and the Most Frequent Flyer were awarded Southwest T-shirts.



## Customers | Sharing Our Heart in California

*Burbank*

While Customers waited in the Burbank gate area for a departing flight, Employees facilitated an engaging game of California trivia and handed out specially wrapped cookies and Hollywood clapboard keychains.

*San Diego*

Agents in San Diego gave a “Rotten Egg” award to the Customer who was the last to check in for his flight. For his good sportsmanship, our Cohearts rewarded him a few Southwest goodies and allowed him to board after Business Select Customers.

**Ripple Effect**

The efforts of California Employees have had a positive effect throughout our system. For example, Heart Carts were an idea that started in our California Stations and now can be found in 23 locations across the system. These carts are loaded with built-in lights, music, and fun items that we give away to our Customers. Whether Customers are arriving at an airport or waiting for their next flight, our Employees and Heart Carts provide engaging entertainment opportunities and help our Customers feel welcomed, cared for, and appreciated.

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**We seek to empower all of our  
People to do what's right  
for our Customers and equip  
them with innovative Hospitality  
tools to meet the needs  
of our Customers with  
creativity and enthusiasm.**

---

**A Heart for ALL Customers**

And while it is true that California is a huge market for Southwest, our innovative approach to serving Customers extends to every Southwest city—whether in the Golden State or elsewhere. We seek to empower all of our People to do what's right for our Customers and equip them with innovative Hospitality tools to meet the needs of our Customers with creativity and enthusiasm.

Customers | For Us, It's Personal



## For Us, It's Personal

Genuine and personal service is in our DNA at Southwest. We were founded on a simple notion: if we make air travel affordable and enjoyable, take care of our Employees, and allow them to serve our Customers with Heart, people will fly our airline. More than 47 years later, it's still a winning formula.

Delivering our Legendary Customer Service and Southwest Hospitality takes a lot of effort—and we work hard at it! Meeting Customers' individual needs with genuine and personal service requires that we constantly listen to the People we serve and then put what we learn into action. Our Hospitality and innovation efforts offer insight into how we make this happen across the Company.

### Hospitality

Our commitment to Hospitality starts at the very top of our Company—with our strategic priorities. Alongside Safety, Reliability, and Low Costs, we focus on delivering outstanding Customer Service and Hospitality. Southwest defines Hospitality as making our Employees and Customers feel welcomed, cared for, and appreciated. Hospitality elevates our already Legendary Customer Service by striving to develop a personal connection with each Employee and Customer.

Hospitality Summits are hosted for Frontline Employees as a resource of information from our Leaders, loyal Customers, and our business partners. In 2018, we were ranked sixth by TripAdvisor in the Top 10 Airline—World category, and honored for Best Airline in North America; Best Economy Class in North America; and Best Airline in the United States.



"We've hung our hat on Customer satisfaction for almost 48 years, and we're world famous for the Hospitality we offer our Customers every year. Being recognized by TripAdvisor as sixth in the Top 10 Airline—World Category further validates why Southwest stands above the competition. Thank you to our Employees who make Southwest a champion for our Customers every day."

—Gary Kelly, Chairman of the Board and Chief Executive Officer

## Innovation

While being innovative is nothing new to Southwest, we have a dedicated Innovation Team that focuses on discovering new, transformative ways People can have a good experience with our Company. This Team leads the effort to take a strategic approach to the way we adapt and remain relevant to the ever-changing needs of our Employees and Customers. At our Innovation Center and Lab, they continually seek to bring innovative ideas to life.

For example, we installed a prototype at Dallas Love Field for digital wayfinding using electronic signage that allowed Customers to more effectively self-serve and provided more freedom to enjoy what the airport has to offer. The system used clever signage that helped Customers find their own answers to common questions. The prototype freed Employees from answering many common questions, allowing them to focus on high-touch Customer Service and operational performance instead.

Each digital wayfinding sign was designed to answer a fundamental question, "What do I need to know right now?" When the Customer first walked into the airport, our signs provided a broad level of information and became more granular as Passengers walked closer to their gates and the jet bridge. In true Southwest Spirit, many signs featured a touch of humor to make Customers' experiences with them fun and pleasant. For example, in addition to telling Passengers their flight was about to board, the sign read, "Run! We're cheering for you!"

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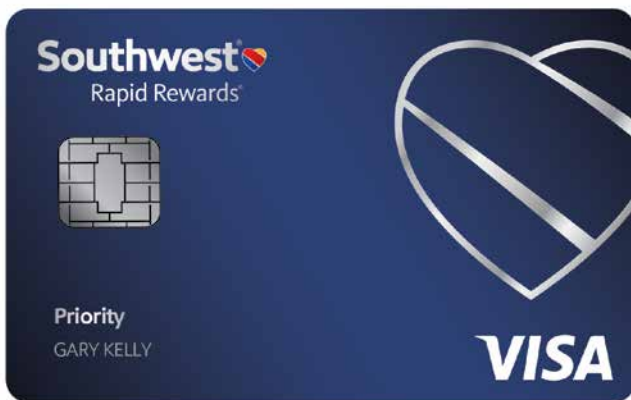
**In true Southwest Spirit, many signs featured a touch of humor to make Customers' experience with them fun and pleasant. For example, in addition to telling Passengers their flight was about to board, the sign read, "Run! We're cheering for you!"**

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At Southwest, we've also been working methodically and systematically to try and address the issues that our individual Customers care about most. Last year, we conducted several levels of testing in various parts of our system—including Employee roundtables, digital surveys, prompted feedback, before-and-after data comparisons, and Customer travel-alongs. In the travel-alongs, we met Customers at security and walked through the terminal with them, asking them for in-the-moment impressions of the signs: "How does this make you feel?" "Do you feel like you have the right information?" "Do you feel less stressed? Or more stressed?" This kind of testing has yielded great insights that will help us continue to improve the way we serve our Customers.

*Customers | For Us, It's Personal***Our Rapid Rewards® Priority Credit Card**

Southwest and Chase Bank USA, N.A. added a third personal credit card option in 2018. Cardmembers told us they wanted faster boarding and inflight benefits, so we added these features to our brand-new Rapid Rewards® Priority Credit Card, making our Cardmembers a priority both in the air and on the ground. The Priority card has all of the benefits of the award-winning Southwest Rapid Rewards Premier Credit Card—plus more anniversary points and new features that provide inflight savings and elevated travel experience.



All Cardmembers can take advantage of the existing benefits of flying Southwest: no blackout dates or seat restrictions when you redeem with points, bags fly free,<sup>29</sup> and no change fees.<sup>30</sup> Our Customers are a priority, and we made it even easier for them to travel and be rewarded.

The success of these Hospitality programs has given us traction and momentum to keep updating and elevating the Customer Experience in ways that only Southwest can. By looking for new ways to provide Hospitality and better serve our Customers and Employees, we're opening up new, genuine ways to connect People.



Customers | Partnerships That Make A Difference



## Partnerships That Make A Difference

While many things have remained constant over the decades—such as our Southwest Spirit and our commitment to Legendary Customer Service—a lot has changed too. Customers' needs have evolved, Employee expectations have shifted, and our airline has grown. In the face of constant change, our continued focus on innovation and improvement is one of the reasons we've been able to remain successful.

Our dedication to innovation can be seen in the way we approach partnerships. We recognize the need to connect

with our Customers and Employees' passions, both in the air and on the ground—which is why we dedicate time and energy developing partnerships that make a difference.



"At Southwest, we are committed to giving back in the communities where our Customers and Employees live and work. Through this partnership with Build-A-Bear, we are honored to lend a hand in donating these 20,000 teddy bears to deserving recipients at Ronald McDonald House Charities, Make-A-Wish, and children's hospitals that are a part of the Southwest Medical Transportation Grant Program."

—Laurie Barnett, Managing Director, Communications and Outreach

## Customers | Partnerships That Make A Difference

**Celebrating National Teddy Bear Day In Style**

We serve Customers of all ages and love to find opportunities that allow us to give back, which was why we were excited to partner with Build-A-Bear Workshop, Inc. in September 2018 to celebrate National Teddy Bear Day. Our partnership with Build-A-Bear allowed us to donate 20,000 Build-A-Bear teddy bears to children's

hospitals and charitable partners, Make-A-Wish®, and Ronald McDonald House Charities®.

To further celebrate National Teddy Bear Day, Southwest Employees and Build-A-Bear associates surprised Customers on flights in 10 airports across the country with special Southwest and Build-A-Bear co-branded teddy bears.

**On National  
Teddy Bear  
Day, we  
donated:**



**2,400+**

bears to Make-A-Wish  
chapters



**7,100+**

bears to 91 Ronald  
McDonald House Charities



**10,300+**

bears to U.S. children's  
hospitals that are  
participants in Southwest's  
Medical Transportation  
Grant Program

**Taking A Bite Out of Shark Week**

Shark Week is one of our favorite weeks of the year, and thanks to a partnership with Discovery Channel, our Customers get to enjoy it as much as we do. In July 2018, we celebrated the 30th anniversary of Shark Week and the fifth year of our partnership with the launch of a special Shark Week fleet. The five aircraft in the Shark Week fleet each featured artwork based on shark species highlighted in Shark Week episodes: the Great White Shark, Hammerhead Shark, Tiger Shark, Bull Shark, and Mako Shark. The fleet flew throughout the Southwest system in the months of July and August 2018.

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**But the fun of Shark Week wasn't limited to just a handful of planes. Customers throughout our network were able to enjoy "jaw-some" content on our inflight entertainment portal's custom Shark Week TV Series Channel.**

---

Customers and Employees interacted with our Shark Week fleet in a variety of ways. [FlightAware](#), a Southwest vendor, replaced traditional airplane icons with custom shark symbols for our Shark Week fleet, giving visitors to their site a fun way to track the movement of our shark-themed aircraft. We also encouraged Customers to share plane-spotting photos of our Shark Week fleet on social media using the hashtag #SharksTakeFlight.

But the fun of Shark Week wasn't limited to just a handful of planes. Customers throughout our network were able to enjoy "jaw-some" content on our inflight entertainment portal's custom Shark Week TV Series Channel. Programming included one never-before-seen Shark Week episode, made available to our Customers two

weeks ahead of its worldwide Shark Week release. And on one of our flights, we invited Luke Tipple, a marine biologist and TV personality, to host inflight shark trivia and share a few stories from his research.

Even though sharks aren't exactly "ground" animals (they prefer the water), our Ground Operations Employees got into the spirit of Shark Week as well. With the help of our onboard snack provider Mondelēz, Employees were able to give out Swedish Fish and other shark-themed goodies to hungry Customers at airports throughout California during the month of July.

#### **Connecting With Our Customers is Music to Our Ears**

For many of our Customers, music is an important part of their lives. Since we're in the business of connecting People to what is important in their lives, it's natural that we'd seek to connect with our Customers' passion for music through music-related partnerships.

We proudly sponsor several key music events, such as Live In The Vineyard and Luck Reunion. We also partner with music-focused charitable organizations like Musicians On Call, a nonprofit organization that brings live and recorded music to the bedsides of patients in healthcare facilities across the country. And we support events and experiences that are important to the communities we serve through national partnerships with The Grand Ole Opry in Nashville and Red Rocks Amphitheatre in Denver. We are always looking for new ways to connect with our Customers through the power of music.

Customers | Using Our Southwest Hearts to Engage on Meaningful Topics



## Using Our Southwest Hearts to Engage on Meaningful Topics

Connecting People to what's important in their lives means that we are connecting with People—Employees and Customers—on the issues and topics that are important in their lives.

Social advocacy is a sign of the times as Customers freely share their experiences and opinions with brands across all industries. Through channels like social media, traditional media, and direct feedback, we have a window to understand what is important to our Customers, Employees, Shareholders, and the public at large. By being present on these platforms and matching our actions with our values, we have the opportunity to engage, creating new Customers, advocates, and even defenders.

Our social brand is live, in real-time, with or without us. We need to be there to help guide and frame it. That's where Southwest's Social Topics Committee comes in. Established in 2015, this cross-functional Committee examines how the Company will engage in a variety of societal topics.

The Social Topics Committee is made up of Stakeholders representing Departments across Southwest including Communications and Outreach, Diversity and Inclusion, Investor Relations, Marketing, Governmental Affairs, General Counsel, and the People Department. They also consult with other departments as needed depending on the topic.

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**Through channels like social media, traditional media, and direct feedback, we have a window to understand what is important to our Customers, Employees, Shareholders, and the public at large.**  
**By being present on these platforms and matching our actions with our values, we have the opportunity to engage, creating new Customers, advocates, and even defenders.**

---



*Customers | Using Our Southwest Hearts to Engage on Meaningful Topics*

In order to approach each topic equitably, the Committee has guidelines for activation as well as guiding principles. The Committee is expected to approach all topics with speed, courage, and consistency. They use a consistent discussion framework to evaluate how to best align our actions with our Company's values. This framework allows each topic to be thoughtfully approached by evaluating categories including impacts to our business, Employees, Customers, brand, reputation, and relationships, to name a few.

The purpose of this Committee is not for Southwest to be engaged in every social topic that arises. It is simply to be strategically thoughtful, prepared, intentional, timely, and strive to consistently apply our Purpose and values to each situation.

For example, in 2018 the Committee reviewed the proposed termination of the Deferred Action for Childhood Arrivals (DACA). We made our stance known by joining dozens of major corporations in sending a letter urging Congress to act immediately and pass a permanent bipartisan legislative solution to enable Dreamers who are currently living, working, and contributing to our communities to continue to do so.

Paramount to our Social Topics Committee is our corporate responsibility to respect human rights within our operations and throughout our value chains. We are guided by fundamental principles to not only comply with the law at all times, but also to avoid impropriety in the actions of our Employees and our business partners. We have created and adhere to Company policies to support and respect the protection of human rights within our sphere of influence, which can be [found here](#).

**Human Trafficking**

We provide Employee training on human rights, which includes training on human trafficking and notification to law enforcement authorities, and we are currently working on more robust human trafficking training for our Frontline Employees.

There is a growing focus on human trafficking at Southwest and in the airline industry. In early 2019, more than 600 of our Senior Leaders attended a presentation on human trafficking by Bradley Myles, CEO of Polaris. A Southwest Community Outreach partner, Polaris is a leader in the global fight to eradicate modern slavery and disrupts the human trafficking networks that rob human beings of their lives and their freedom.

Our responsibility to respect and protect human rights also encompasses our supply chain. We partner with our suppliers not only because of the impact they have on the products and equipment we use in the skies, on the ground, and in our offices, but also because of their impact on our triple bottom line of Performance, People, and Planet. We look to build sustainable relationships with our suppliers to help fulfill our operational needs, stimulate economic growth in the communities we serve, and satisfy the expectations of our Stakeholders. We expect that all suppliers comply with applicable laws, including those regarding child or forced labor.

There isn't a "one size fits all" approach that works for every company or every issue, so it's important that each topic is evaluated individually. We want to do what's right for Southwest. We feel it's important to stay true to who we are as a Company and always keep our Employees, Customers, and Shareholders top of mind.

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**The purpose of this Committee is not for Southwest to be engaged in every social topic that arises. It is simply to be strategically thoughtful, prepared, intentional, timely, and strive to consistently apply our Purpose and values to each situation.**

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## KEY TOPIC

## Communities

As our business continues to grow, our influence on the communities where we live and work increases as well, presenting exciting new opportunities for us to connect People to what's important in their lives. Investing in community-minded partnerships and volunteering in the communities where we live and work allows us to connect with more People in the places and ways that matter most.

592,000  
students

Impacted by our  
Adopt-A-Pilot program  
since 1997.



**In 2018, we donated 2,728 tickets through our Tickets for Time program.** We donate one complimentary, roundtrip ticket for every 40 hours our Employees volunteer with a qualified organization.<sup>31</sup>

More than  
\$27 million

Value of travel assistance  
for medical patients  
in need since 2007.



## STORIES

Sharing the Southwest  
Heart Internationally



Many Different Ways to Give



A Garden With Heart



Celebrating and Inspiring  
Future Generations



Travel Assistance  
for Patients in Need



Communities | *Sharing the Southwest Heart Internationally*



## Sharing the Southwest Heart Internationally

Southwest proudly flew its first international flights in July 2014. Since then, we have remained intentional about how and why we expand service to international destinations. We don't want to become "just another airline with international service." Rather, we seek to use our expanding global presence to better meet the needs of Customers and communities in the areas where we operate.

Whether in the air or on the ground, we seek to always Live and Work the Southwest Way, so that we can positively impact the lives of the People we serve. Because community is more than a place—it's at the heart of what brings us together.

### Cultural Exploration in Costa Rica

In 2018, we added additional flights to Liberia, Costa Rica, helping more Customers than ever experience the country's laid back *pura vida* lifestyle. And last summer, our service to Costa Rica also allowed us to broaden a few students' educational horizons.

As part of a strategic plan that promotes student engagement, retention, and graduation by encouraging studies abroad, we provided 14 students from California State University, Fullerton with free airfare to study in

Costa Rica. This diverse group of students learned from local experts about the Costa Rican coffee trade, medicinal plants, pre-Colombian foods, cultural innovation, grassroots social movements, and maintaining indigenous traditions.

In an increasingly more connected world, we champion causes that promote global experiences, help foster understanding of others, and promote connections that will empower communities to thrive.

### Rebuilding Together in Mexico

We take pride in being a part of the communities we serve and believe that our activities can make a difference in People's lives. Since 2016, we have teamed with our inflight coffee provider, Community® Coffee Company, and the ECOM Foundation to support coffee farming communities in remote regions of Mexico. For every pound





*Communities | Sharing the Southwest Heart Internationally*

of Community Signature Blend coffee served on Southwest flights in 2018, Southwest and Community Coffee helped fund educational programs in Mexico.

On Sept. 7, 2017, an 8.2-magnitude earthquake struck the Mexican states of Chiapas, Oaxaca, and Tabasco. Then on Sept. 19—less than two weeks later—the devastating Central Mexico Earthquake further rocked the country. We knew we had to help the People who were impacted.

Tapachula, Chiapas—an area that supplies some of Community's coffee beans—was greatly impacted by these earthquakes. In continuation of our support for this region, donations from Southwest helped Community Coffee and the ECOM Foundation team up in 2018 to launch a sustainable housing project to help rebuild after the earthquake. This project focused on building homes for families located in the southern Mexico region where some of Community Arabica coffee beans are sourced. The families affected by the earthquake had new homes



constructed using bamboo, a sustainable and low-cost material. The new structures are earthquake resilient, which will help provide the families with a more secure place to call home. We were thrilled to play a role in helping this Community rebuild.

**Bringing Cargo to The Next Level**

In July 2018, our Cargo Team began to serve international destinations—giving Customers the opportunity to reach new communities with our award-winning cargo service. While we've offered domestic cargo services for some time, it wasn't until 2018 that Customers could use Southwest Cargo to ship to destinations in Mexico; San José, Costa Rica; Punta Cana, Dominican Republic; and Montego Bay, Jamaica. This expansion allows us to serve more Customers across the United States, Latin America, and the Caribbean with our "relentlessly reliable" air cargo service.



Communities | Many Different Ways to Give



## Many Different Ways to Give

At Southwest, we follow The Golden Rule and seek to lead with a Servant's Heart. This is reflected in our desire to help others through volunteering and our legacy of giving back to nonprofits, programs, and communities throughout the Southwest system.

### Employee Volunteer Efforts and Company Giving



**More than  
\$25 million**

Total corporate donations  
(monetary and in-kind  
ticket donations)



## A Garden With Heart

Southwest Flight Attendant Gina Duvall knows that having a Servant's Heart is an essential part of Living the Southwest Way. "I've always been passionate about volunteering," she says, "so I'm thankful to be part of a Company that supports this passion."

Southwest is dedicated to connecting and celebrating the communities we serve across the globe, especially through our volunteerism initiatives. Our Tickets for Time program encourages Employees like Gina to volunteer by providing Company support to the causes they care about. For every 40 hours our Employees volunteer with a qualified nonprofit organization or school, Southwest gives that organization one complimentary, roundtrip ticket to help meet fundraising or transportation needs.<sup>31</sup>

### Hearts in Action

Recently, Gina and a few of her fellow Cohearts touched an entire community by spearheading a Tickets for Time project at Hoover Middle School in Albuquerque, New Mexico. As part of the school's offering, Hoover provides a special education program for sixth through eighth grade students. Many of the students in this program are low mobility or non-verbal, so much of their curriculum focuses on daily living activities.

Prior to 2017, Gina was already a regular volunteer at Hoover. But that year a special effort at the school caught her attention. "Hoover decided to construct a community

garden for the special education students to use for de-escalation and sensory stimulation," she shares. "Hoover's principal had worked with Southwest in the past and knew we would want to help these students."

### A Group Effort

In true Southwest Spirit, Gina got to work connecting with others. She first recruited the support of fellow Southwest Employees from a variety of Departments—including Ground Operations, Inflight, Technical Operations, and Provisioning—to help with construction of the garden.

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**By the time Gina's Cohearts and other volunteers arrived at the site to begin building, they had everything they needed to make Hoover's garden a success.**

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"I've always been passionate about volunteering, so I'm thankful to be part of a Company that supports this passion."

—Gina Duval, Flight Attendant

Then she turned her efforts outward. As a Flight Attendant, Gina took advantage of the many opportunities she had to tell Customers about the garden during her travels. On one of her flights, she met a manager from an Albuquerque-based masonry supplies company that donated hundreds of cement blocks needed to build the garden.

But that was only the beginning. "Once the blocks to build the garden were secured, I struggled to find the funds to fill the garden," Gina remembers. "I began a conversation with a Customer I recognized on a flight, who, it turns out, was a regional manager of a national hardware chain. She quickly introduced me to the manager of our community's store who was inspired by our project and donated the soil and plants for the garden!"

In a similar situation, Gina met the manager of a local grocer who donated food to feed project volunteers on the day of construction. By the time Gina's Cohearts and other volunteers arrived at the site to begin building, they had everything they needed to make Hoover's garden a success. "It seemed that every time a need arose, somehow it was filled. It just goes to show that when we work as One Team, we are unstoppable."

### Grand Opening

Because of the hard work of Employees like Gina and others, Hoover was able to expand their dreams for a garden. Hoover now contains not one, but two gardens: one that produces vegetables and fruit and another that grows flowers and herbs. Best of all, the project continues to pick up momentum, as the local community has rallied around Hoover to support the gardens' growth.

"What started as a passion project will only get bigger and better," says Gina. "When our Employees join the local community with creativity, innovation, and—most importantly—Heart, it is truly a winning combination."





## Celebrating and Inspiring Future Generations

Since 1997, Southwest Pilots have made a difference in the lives of more than 592,000 students through our Adopt-A-Pilot program. The program gives classrooms throughout the country the opportunity to “adopt” their own Southwest Pilot for a few weeks during the school year. These Pilots use engaging, aviation-themed lessons to teach students about Science, Technology, Engineering, and Math (STEM).

“The purpose of Adopt-A-Pilot is to inspire children to grow up to be whatever they want to be,” says Janet Felty, Southwest Senior Coordinator who oversees the Adopt-A-Pilot program. “While the goal of the program isn’t specific to inspiring aviation careers, this year it was extra special to learn about multiple Adopt-A-Pilot children who have grown up and now work in the airline industry.”

### Keeping it in The Family

Southwest Pilot Atif Fareed’s connection to the Adopt-A-Pilot program hits particularly close to home. Years ago, Atif was “adopted” by his son Adam’s class at Tuskawilla Montessori elementary school in Oviedo, Florida. Adam’s enthusiasm for the program convinced Atif that all students deserve an opportunity to be inspired by the program’s engaging STEM curriculum. Atif has continued to volunteer for Adopt-A-Pilot ever since.

Adam recalls having always admired his father, but it wasn’t until his father served as an Adopt-A-Pilot Ambassador to his class that he was personally inspired to become a Pilot.



Now, years after his Adopt-A-Pilot lessons, Adam is officially a captain based out of Washington D.C. working for Trans States Airline. Adam and Atif even had the opportunity to conduct a joint Adopt-A-Pilot program together at Leaders Preparatory School in Orlando, Florida.

“The feeling of giving back to students is rewarding, and I hope my story can inspire students to reach new heights,” shared Adam.



## Communities | Celebrating and Inspiring Future Generations

**Continuing the Legacy**

Southwest Pilot Al Shawcross and his son, Tim, have a similar story to the Fareed family. During Al's second year volunteering with Adopt-A-Pilot, he had an opportunity to help teach Tim's fifth-grade class. This classroom became a relatively permanent fixture in Al's life. After experiencing the excitement that aviation-themed lessons brought to the students, Al continued to teach in that same fifth grade classroom year after year.

The experience with his dad also had a profound effect on Tim. Tim had always loved flying and felt free when airborne, but the idea of a career in aviation didn't really come to life until his father's Adopt-A-Pilot lessons. Tim is now a professional pilot, and works as a first officer for SkyWest Airlines. And for the last two years, Al and Tim have been teaching in the same fifth-grade classroom together, inspiring the next generation of students as a father-son duo.

**From Bridgecreek to 38,000 Feet**

Not long after joining Southwest in 2000, Pilot David Childs learned about the Adopt-A-Pilot program. It immediately piqued his interest as his own love of aviation was instilled in him by his father at a young age. Perhaps David could inspire a few kids himself, while giving back to the community.

David spent five years volunteering with Adopt-A-Pilot at Bridgecreek Elementary, a school outside of Oklahoma City. He organized paper airplane races, encouraging students to test the limits of aerodynamics. He used the places he flew to help teach geography to students, even bringing the school's mascot, a "Bridgecreek Bobcat," along with him on trips. He taped off classroom floors to create runways and taxiways,



letting students pretend that they were airplanes and teaching them to speak to each other using the phonetic alphabet. In all of these activities, David hoped he could inspire a love of aviation. But he did not know that he would inspire a future career at Southwest.

During the Summer of 2018, Jessica Mitchell began her own Southwest career as a Flight Attendant. Upon arriving in Dallas for training, she remembered her experience with Adopt-A-Pilot and David Childs. Jessica was a student in the fifth grade class which had "adopted" David. The summer after fifth grade, she flew on an airplane for the first time—which was, fittingly, a Southwest flight. All of a sudden, David's passion for flying made sense to her. Being in an Adopt-A-Pilot classroom was her first look at a potential career in the airline industry, and her life has not been the same since.

For all of our Adopt-A-Pilot Ambassadors, the chance to help teach and mentor young students can be life-changing. For Atif, Al, and David, it has also provided an opportunity to help shape the careers of future airline industry professionals.

**David hoped he could inspire  
a love of aviation. But he did  
not know that he would inspire  
a future career at Southwest.**



## Travel Assistance for Patients in Need

At Southwest, our Purpose is to connect People to what's important in their lives through friendly, reliable, and low-cost air travel. Our [Medical Transportation Grant Program \(MTGP\)](#) provides a perfect example of our Purpose in action.

Through this program, we partner with nonprofit hospitals and medical transportation organizations throughout the country to grant complimentary round-trip airfare to the patients and caregivers who need it most. From the MTGP's inception in 2007 through 2018, we've donated more than 69,000 round-trip tickets (valued at more than \$27 million) to patients in need. In 2018 we reached a total of 100 medical facilities across the United States—spanning 41 different cities in 26 states.

Camden is a special example of how impactful this program can be. After a terrible car accident took the lives of his parents and left him with substantial injuries, Camden required specialized care and medical attention. St. Louis' Ranken Jordan Pediatric Bridge Hospital, an MTGP partner since 2017, provided a perfect place for Camden to recover.



## By the Numbers: Southwest Airlines Medical Transportation Grant Program

2007

Year founded



100

Partner organizations,  
nonprofit hospitals, and  
medical transportation  
charities (2018)



More than  
69,000

Roundtrip flights  
donated (since inception)



More than  
\$27 million

Value of donated flights  
(since inception)



Hospital staff felt that family support was essential to Camden's progress and recovery. However, Camden's grandparents and extended family live in Tennessee, several hundred miles from St. Louis. Thanks to Southwest and the MTGP, Camden's family was able to join him for much of his hospital stay. Today, seven-year-old Camden lives with his family in Tennessee and enjoys spending time with them as he continues his recovery.

We're honored to have played a role in Camden's life.



"Southwest Airlines' Medical Transportation Grant Program has been an incredible blessing for Camden, his family and many others like Camden here at Ranken Jordan Pediatric Bridge Hospital. Rehabilitation and recovery can be difficult for many reasons. This program helps alleviate the financial burden of travel for our patients and their families that need our innovative services, but do not live close by."

—Brett Moorehouse, MHA, FACHE  
President and Chief Executive Officer

# Looking Forward<sup>1</sup>



## Welcome to Hawaii

The Southwest Heart has landed in Hawaii. Our service to Hawaii will allow us to serve an even more diverse set of Customers and communities.

## Honoring Herb

Southwest Airlines said goodbye to our Founder, Herb Kelleher at the beginning of 2019. We will strive to honor his legacy and keep the Southwest Spirit strong.

## Watch our MAX family grow!

We expect to welcome the Boeing 737 MAX 7 aircraft to our fleet this year—with a greater range, we can't wait to see where the 737 MAX 7 will take us.

## Station Innovation

We're constantly testing and trying new procedures to find efficient and Customer-friendly processes. Check out [what's next!](#)



# People Data Table

	2018	2017	2016	2015	2014
<b>Employees</b>					
Active, full-time equivalent Employees at yearend <sup>13</sup>	58,803	56,110	53,536	49,583	46,278
<b>Employees By Gender</b>					
Active, full-time equivalent Employees at yearend <sup>13</sup> by gender	57% Male 43 % Female	58 % Male 42 % Female	57 % Male 43 % Female	NR	NR
New Hires during the reporting period, by age and gender: under 30 years old	1,450 Male 1,038 Female	1,223 Male 940 Female	NR	NR	NR
New Hires during the reporting period, by age and gender: 30-50 years old	1,871 Male 1,092 Female	1,831 Male 996 Female	NR	NR	NR
New Hires during the reporting period, by age and gender: over 50 years old	444 Male 439 Female	405 Male 448 Female	NR	NR	NR
<b>Employees By Division<sup>28</sup></b>					
Flight	24,924 42 %	23,561 42 %	22,133 41 %	21,108 42 %	20,013 43 %
Maintenance	3,021 5 %	2,960 5 %	2,951 6 %	2,795 6 %	2,632 6 %
Ground, Customer, and Fleet Services	20,800 36 %	20,175 36 %	19,497 36 %	17,315 35 %	15,739 34 %
Administrative (Technology, Management, Finance, Marketing, Clerical Personnel)	10,058 17 %	9,414 17 %	8,955 17 %	8,365 17 %	7,894 17 %
<b>Benefits</b>					
Active and inactive Employees who participate in benefits program	More than 62,800	More than 59,800	More than 56,300	More than 52,000	More than 49,000
Employee benefit programs excluding 401(k) and ProfitSharing plans and share-based compensation (accrued) <sup>33</sup>	More than \$1.2 billion	More than \$1.1 billion	More than \$1 billion	More than \$950 million	More than \$880 million
401(k) savings plan participation <sup>34</sup>	91 %	91 %	92 %	92 %	93 %
ProfitSharing Plan participation	All eligible Employees	All eligible Employees	All eligible Employees	All eligible Employees	All eligible Employees
Company contributions to 401(k) and ProfitSharing plans	\$1.0 billion	\$1.0 billion	\$937 million	\$945 million	\$644 million

## People Data Table

	2018	2017	2016	2015	2014
<b>Training</b>					
Pilot hours	543,360	582,535	457,563	476,272	546,867
Flight Attendant hours	442,807	354,942	443,295	241,900	474,973
Maintenance hours	166,324	140,068	147,312	148,281	154,723
Customer Support and Services hours	181,670	255,106	175,447	214,745	128,845
Ground Operations hours	737,256	740,285	730,088	656,365	693,687
Safety and Security hours (all Employees)	More than 820,000	More than 660,000	More than 811,000	More than 800,000	More than 820,000

<b>Customers</b>					
External Customer commendations	More than 96,000	More than 107,000	More than 105,000	More than 89,000	More than 75,000
Ratio of external Customer commendations to personnel rudeness complaints	8:1	8:1	6:1	4:1	4:1
American Customer Satisfaction Index (ACSI)	80	80	80	78	78
U.S. Department of Transportation (DOT) Customer Satisfaction rating (consumer complaints per 100,000 enplanements)	0.36	0.47	0.47	0.52	0.50
Percentage of reported flight operations arriving ontime	79.2	78.7	80.8	79.7	73.0
Number of mishandled bags reported per 1,000 Passengers	2.89	2.83	2.98	3.31	4.06
Passengers denied boarding per 10,000 Passengers	0.15	0.53	0.99	1.08	1.03

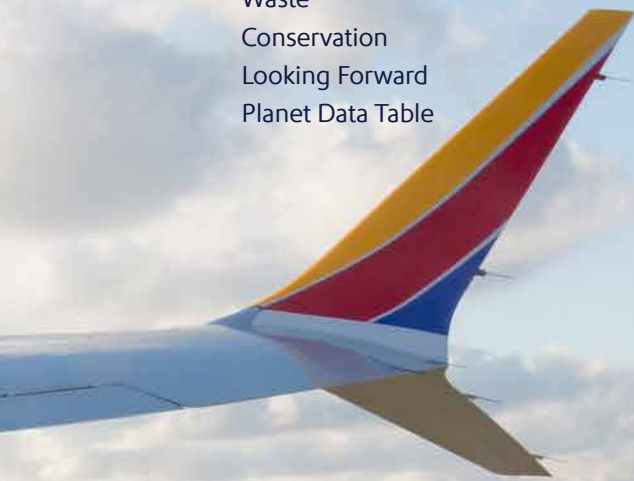
<b>Communities</b>					
Donation requests received systemwide	17,243	17,032	15,237	14,995	15,046
Tickets donated	50,060	50,586	53,291	38,936	43,188
Total monetary donations	\$ 4,581,579	\$ 13,390,938	\$ 3,280,307	\$ 3,258,761	\$ 2,748,305
Total corporate monetary, in-kind, and ticket donations	\$ 25,235,753	\$ 37,043,294	\$ 25,324,794	\$ 19,571,177	\$ 20,128,153
Monies raised through official Southwest fundraising efforts	\$ 950,000	\$ 500,000	\$ 675,000	\$ 675,000	\$ 640,000
Employee volunteer hours	Nearly 190,000	More than 180,000	Nearly 150,000	More than 145,000	More than 144,000
Value of Employee volunteer hours <sup>32</sup>	More than \$ 4,800,000	More than \$ 4,300,000	More than \$ 3,500,000	Nearly \$ 3,500,000	More than \$ 3,300,000

<b>Social Management Approach</b>					
Employees represented by unions	Approximately 83 %	Approximately 83 %	Approximately 83 %	Approximately 83 %	Approximately 83 %
Employee human rights training hours	More than 44,000	More than 39,000	More than 51,000	More than 22,000	More than 54,000
Employees trained on human rights	43.9 %	40.4 %	44.4 %	36.1 %	46.4 %
Employees and business associates who acknowledged the Code of Ethics	More than 64,000	More than 63,000	More than 59,000	More than 53,500	More than 50,800

# Attending to the Planet

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Southwest operates more than 4,000 daily flights during peak travel season, the most of any domestic airline. This allows us to carry out our Purpose—connecting People to what’s important in their lives through friendly, reliable, and low-cost air travel—on a massive scale. By improving our energy efficiency, reducing the amount of waste we generate, and working to conserve the environment in the places where we live and work, we can protect our Planet for current and future generations.



## KEY ACCOMPLISHMENTS

32.8%



We have **improved jet fuel efficiency by 32.8%** on a revenue ton mile (RTM)<sup>3</sup> basis since 2005.



Our CO<sub>2</sub>e intensity ratios have improved for the  
**7th**  
straight year

3,757 tons

In 2018, we recycled **3,757 tons of material**, an effort that directly reduces our impact on landfills.



“On our journey to become the world’s most loved, most flown, and most profitable airline,<sup>1</sup> it is imperative that we strive to reduce our environmental impact and move toward the most sustainable supply chain feasible. Toward that goal, we have in place aggressive efforts to reduce resource consumption, manage solid waste, and recycle wherever possible, leading the industry in our repurposing efforts, and continuously seeking ways to improve our built environment. It’s as much about doing the right thing as it is about being good environmental stewards.”

—Bill Tiffany, Vice President Supply Chain Management



BATTERY

## KEY TOPIC

## Energy Use

Each one of our more than 4,000 daily flights represents an opportunity to improve our energy efficiency and lower our emissions. We constantly strive to find new ways to use energy more efficiently throughout our system, which helps us maintain low costs while lessening our impact on the Planet.<sup>1</sup>

More than  
**\$600  
million**  
invested

### Smart Investments

Southwest has invested more than \$600 million in fuel efficiency improvements since 2002.

Nearly  
**13 million  
gallons**  
of fuel saved

### Fuel and Flight Planning Initiatives

Through our fuel and flight planning initiatives, we saved nearly 13 million gallons of fuel in 2018.

## STORIES

[Fuel Efficiency](#)[Respecting Our Resources by Using Them Efficiently](#)[Greenhouse Gas Emissions](#)

Energy Use | Fuel Efficiency



## Fuel Efficiency

Jet fuel is our largest energy source. As a result, it is one of our largest expenses and our single greatest source of emissions.

Because of the direct relationship between our fuel consumption and the cost associated with that consumption, we recognize the importance of pursuing multiple fuel efficiency initiatives. These initiatives help us in our effort to reduce fuel consumption and emissions and maintain a low-cost advantage in the airline industry.<sup>1</sup>

Since 2002, Southwest has invested more than \$600 million in fuel efficiency improvements, routinely performing engine washes, utilizing ground electric power while aircraft are parked at airport gates, and reducing ground idle speeds for aircraft in our fleet.

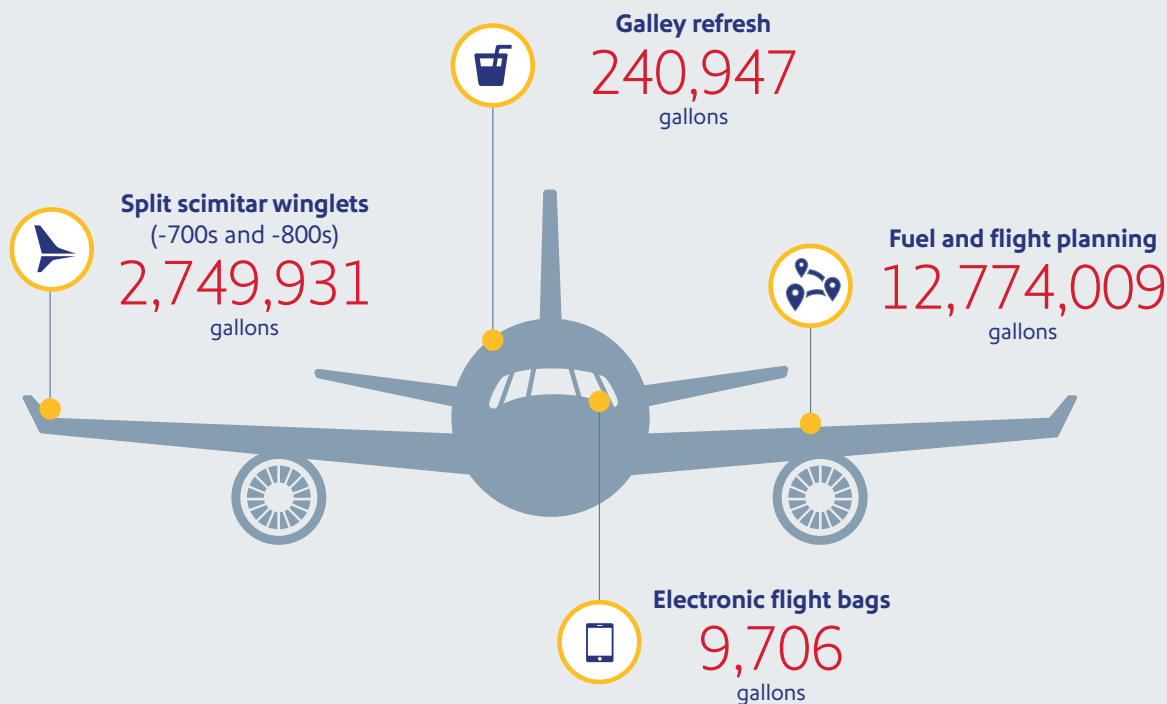
We have outfitted all of our Boeing 737-800 aircraft with split-scurator winglets which further reduce air resistance, resulting in an incremental savings of 2.1 million gallons of fuel consumed and a reduction of 20,750 metric tons of CO<sub>2</sub>e emissions in 2018 compared with 2017. Our 737 MAX 8 aircraft have newly designed MAX AT winglets which contribute to the expected 14 percent fuel efficiency improvement of these new aircraft.<sup>1</sup>

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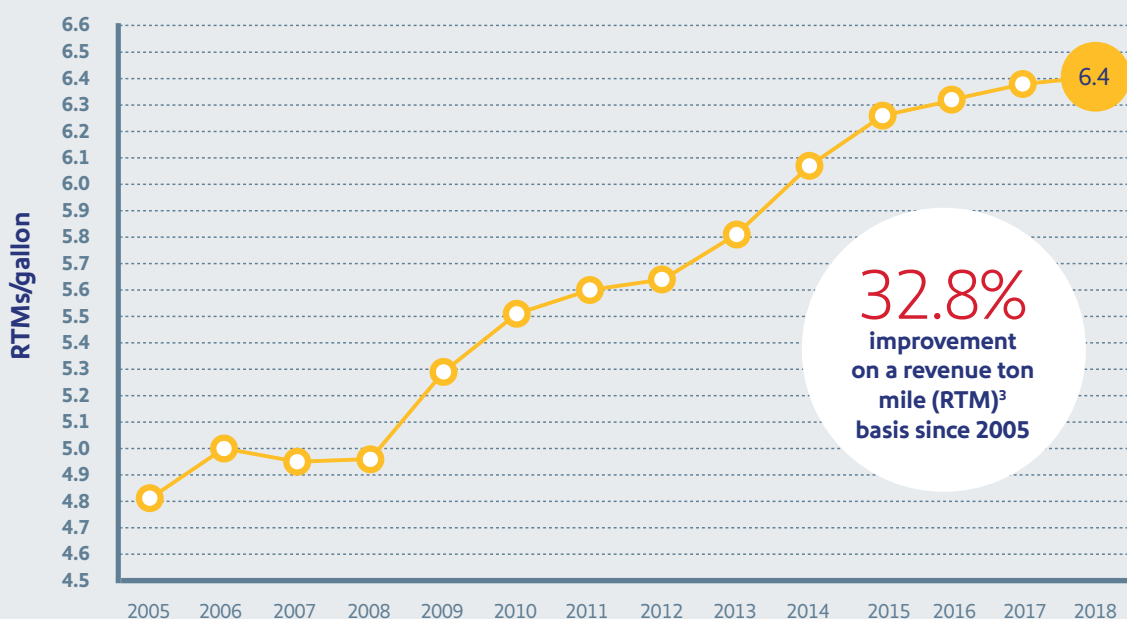
**We have invested more than  
\$600 million in fuel efficiency  
improvements since 2002.**

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## 2018 Jet Fuel Conservation



## Historic Jet Fuel Efficiency Improvement



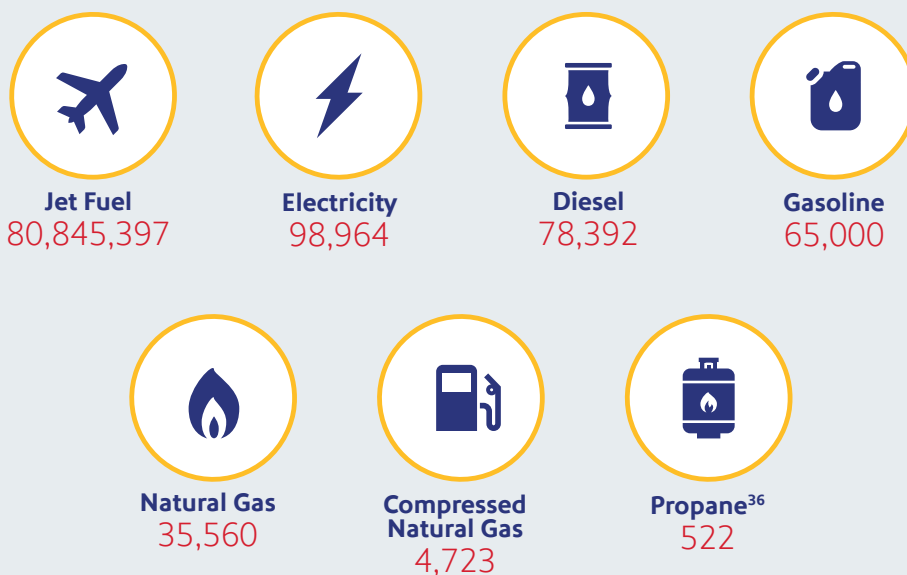
Energy Use | Respecting Our Resources by Using Them Efficiently



## Respecting Our Resources by Using Them Efficiently

We use a variety of energy types, and while we work to use each one as efficiently as possible, we continue to look for new ways to be more efficient. Whether through investments in advanced, fuel-efficient aircraft, utilizing electric ground support equipment, or finding innovative ways to reduce energy consumption at our airport facilities, we're always looking for new ways to improve our energy efficiency.

### Energy Consumption in Megawatt-hours<sup>35</sup>







## Greenhouse Gas Emissions

To better understand our environmental impact and increase the transparency of our operations, we have voluntarily tracked and reported our greenhouse gas (GHG) emissions since 2009. In 2018, we improved our CO<sub>2</sub>e intensity ratios for the seventh consecutive year.

While we are proud of these year-over-year improvements, we continue to seek opportunities to further reduce our emissions intensity through partnerships and agreements with companies such as Red Rock Biofuels. In July 2018,

Red Rock Biofuels broke ground on a state-of-the-art biorefinery in Lakeview, Oregon, which is expected to convert woody biomass into lower carbon fuels. Southwest has committed to purchase three million gallons of sustainable aviation fuel per year from this facility, with the first fuel delivery anticipated in 2020.<sup>1</sup>

The commitment to purchase lower carbon renewable fuel is just one way we are working to reduce our emissions intensity as our business continues to grow.

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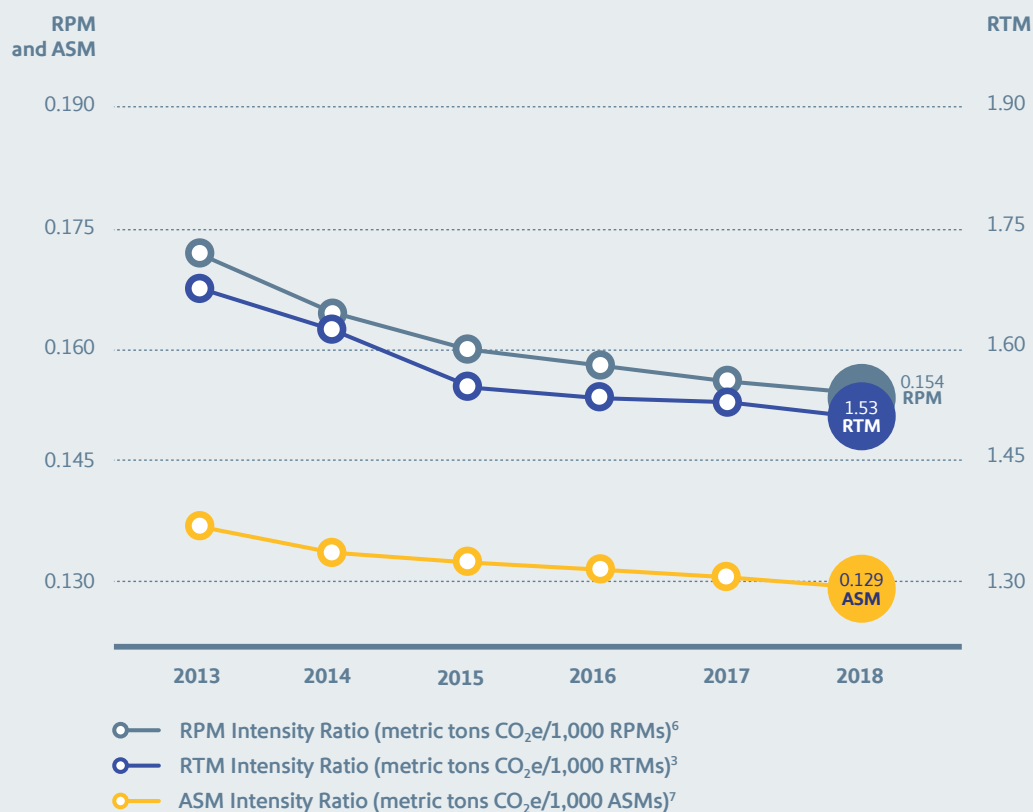
**Southwest has committed to purchase three million gallons of sustainable aviation fuel per year from Red Rock Biofuels, with the first fuel delivery anticipated in 2020.**

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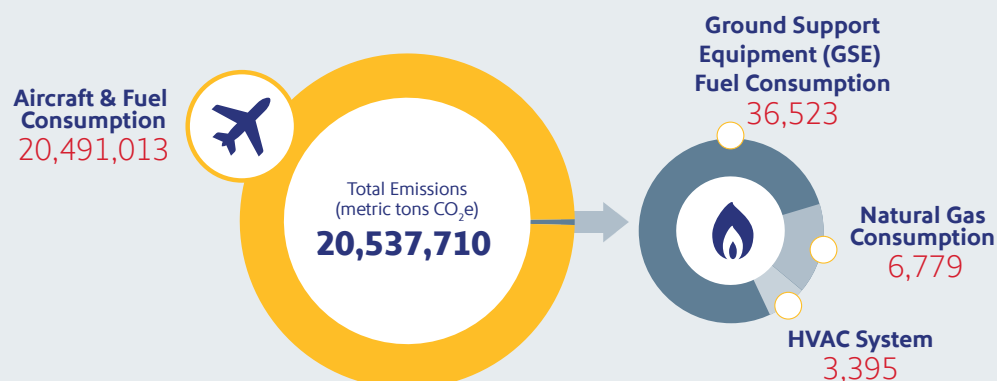
## Energy Use | Greenhouse Gas Emissions

Improvement in CO<sub>2</sub>e Intensity Ratios

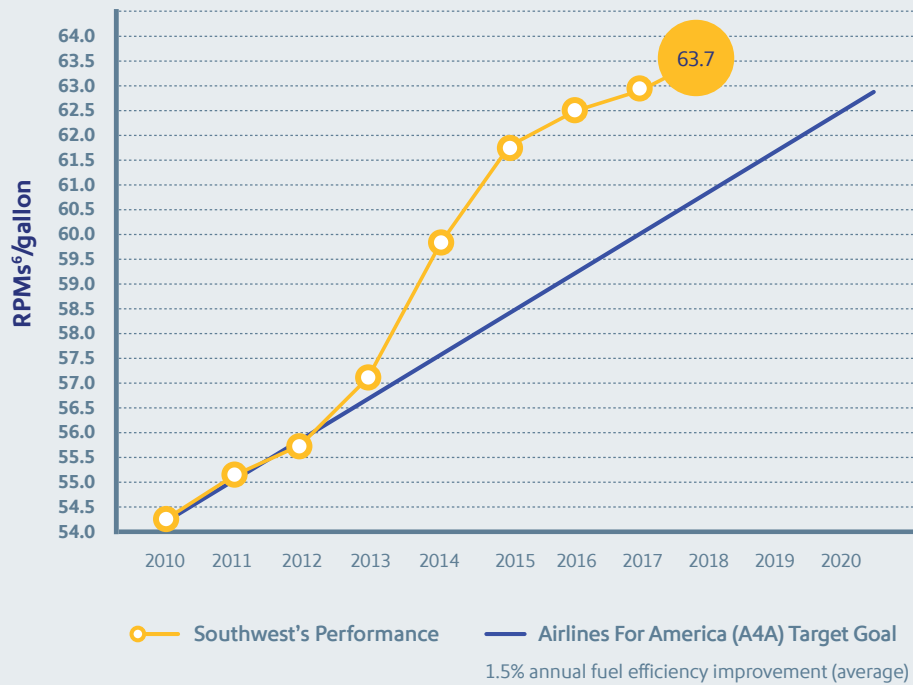
(calculated using Scope 1 &amp; 2 emissions)



## 2018 Scope 1 Emissions Breakdown



## Progress towards Airlines for America (A4A) Fuel Efficiency Target





## KEY TOPIC

## Waste

We emphasize recycling and reuse of materials whenever possible. Whether on the ground or in the air, our efforts to reduce waste are at the Heart of how we steward the Planet.

## STORIES

[Recycling](#)

More than  
**193 tons**  
of e-waste recycled  
or refurbished

### Limiting e-Waste

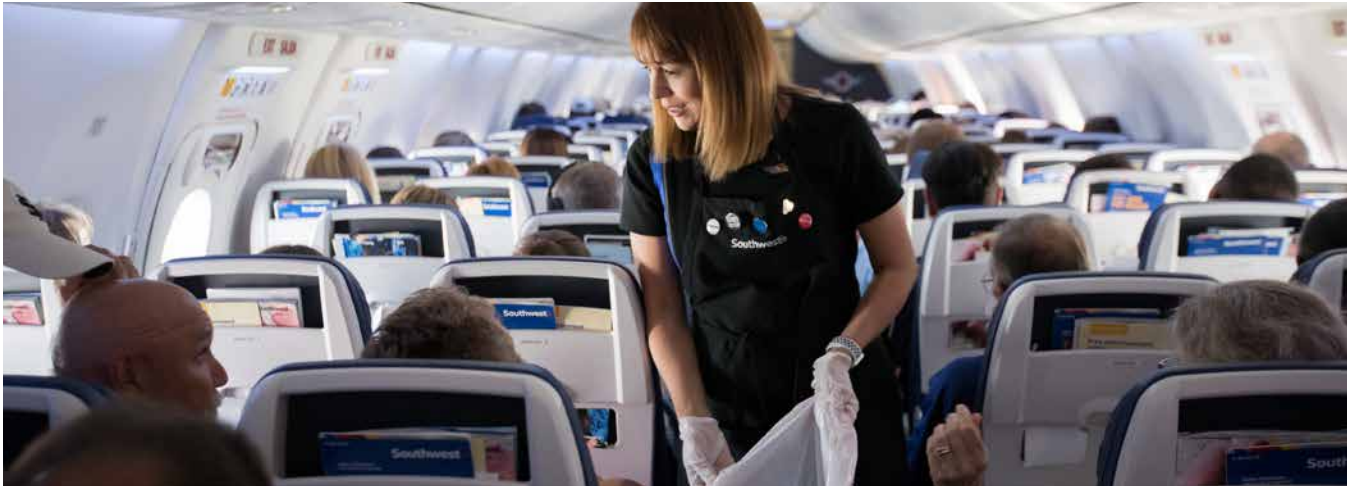
In 2018, we recycled or refurbished more than 193 tons of electronic waste.

  
**3,757 tons**  
of waste recycled

### Landfill Diversion

Our recycling efforts kept 3,757 tons of waste out of landfills in 2018.





## Recycling

While fluctuations in the recyclables resale market have proven to be a challenge for our commingled recycling efforts, we continue to look for ways to increase the amount we recycle while also decreasing the amount of waste sent to landfills.

In 2018, we recycled 3,757 tons of material, an effort that directly reduces our impact on landfills. We also began transitioning the plastic drink stir sticks on all aircraft to a biodegradable alternative and began to offer compostable plates and containers at our Headquarters Campus cafeterias in an effort to provide more environmentally friendly alternatives to our Customers and Employees.

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**In 2018, we recycled  
3,757 tons of material, an  
effort that directly reduces  
our impact on landfills.**

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## KEY TOPIC

## Conservation

We believe that what works for our Company can also work well for the Planet. Teamwork has always been at the Heart of Southwest, and we believe that conservation should be a collective effort as well. When it comes to promoting conservation, our Cohearts reinforce our values by working alongside other like-minded individuals and organizations to help preserve and protect the Planet we call home.

## STORIES

Southwest Employees Put Heart in Action During Spring Companywide Initiative >

60

Unique environmental projects in 22 states.



Working together in 2018, our Earth Month collaboration with Student Conservation Association (SCA) allowed us to **mobilize more than 4,000 volunteers and plant more than 3,000 trees, flowers, and shrubs.**

136,000

Square feet of parks and public green spaces conserved.



Conservation | Southwest Employees Put Heart in Action during Spring Companywide Initiative



## Southwest Employees Put Heart in Action During Spring Companywide Initiative

Twice a year, we organize a Companywide initiative that encourages Employees to spend time volunteering in their local communities. During the 2018 spring Companywide initiative, hundreds of Southwest Employees participated in environmental service projects across the system.

To help us maximize our impact, we teamed up with one of our sustainability partners, the Student Conservation Association (SCA) to celebrate Earth Month and bring conservation projects to cities across the country.

Thanks to our Employees, SCA staff members, alumni, and community members, thousands of volunteers were able to come together to support conservation efforts nationwide. Working together, SCA and Southwest mobilized more than 4,000 volunteers that (collectively) planted more than 3,000 trees, flowers, and shrubs, created approximately 6,500 pollinator-friendly seed balls, and helped conserve more than 136,000 square feet of parks and public green spaces. In all, 60 unique environmental projects occurred in 22 different states.



“SCA brings a passion for the planet and appreciation for the people with whom we serve, without expectation or need of accolade. Southwest folks are our kindred spirits, made clear by how passionate they are when volunteering!”

—Kelly Runzel, Director of Corporate and Community Engagement at Student Conservation Association



**Conservation** | *Southwest Employees Put Heart in Action during Spring Companywide Initiative***Spreading the Love at Herring Run Park in Baltimore**

No coffee was necessary for this Baltimore Inflight Crew, and their Southwest Spirit and Fun-LUVing Attitude spread to volunteers working alongside them. The group helped remove invasive vines in Baltimore's Herring Run Park—and one volunteer really got into the vine-swinging spirit, as you can see here!

**Oklahoma City Maps Its Seed Ball Strategy**

Seed balls are used to help replant natural flora. Our amazing Oklahoma City Customer Service and Support Team helped create hundreds of seed balls and then created a map to help track their seed balls across the city.

**Restoring Wetlands in Southern California**

Southwest Volunteers from Los Angeles were literally in the thick of things in the Gardena Willows Wetland Preserve. The Cohearts plowed through 1,500 square feet of invasive ivy to help restore this amazing area.



# Looking Forward<sup>1</sup>



## Continue Repurposing Program

Stay tuned for new ways we are enhancing our “Repurpose with Purpose” initiative as we increase the volume of repurposed items and materials.

## Introduce Sustainable Aviation Fuel

We’ve committed to purchase three million gallons of sustainable aviation fuel per year, with the first fuel expected to be delivered in 2020.

## Deepen Partner Relationships

We will continue to collaborate with various organizations as we work toward our environmental goals and focus areas.

# Planet Data Table

	2018	2017	2016	2015	2014
<b>Environmental Impacts</b>					
Total energy consumption (megawatt-hours (MWh)) <sup>35</sup>	81,128,558	79,203,011	77,366,032	73,688,161	69,827,294
Production activity (revenue ton miles (RTMs <sup>3</sup> ))	13.5 billion	13.0 billion	12.6 billion	11.9 billion	10.9 billion
Intensity ratio (MWh/1,000 RTMs)	6.03	6.08	6.13	6.20	6.39
Water consumption (gallons) <sup>37</sup>	99 million	85 million	83 million	80 million	83 million
Intensity ratio (gallons/Employee) <sup>13</sup>	Nearly 1,700	More than 1,500	More than 1,500	More than 1,600	Nearly 1,800
<b>Greenhouse Gas Inventory (Scope 1 and Scope 2 Emissions)</b>					
Scope 1 emissions (metric tons of carbon dioxide equivalent (CO <sub>2</sub> e))	20,537,710	20,148,910	19,664,622	18,731,062	17,784,227
Scope 2 emissions (metric tons of CO <sub>2</sub> e)	46,972	51,634	53,264	48,810	51,228
Total Scope 1 and Scope 2 GHG emissions (metric tons of CO <sub>2</sub> e)	20,584,682	20,200,544	19,717,886	18,779,872	17,835,455
Intensity ratio (metric tons CO <sub>2</sub> e/1,000 RPMs) <sup>6</sup>	0.154	0.157	0.158	0.160	0.165
Intensity ratio (metric tons CO <sub>2</sub> e/1,000 ASMs) <sup>7</sup>	0.129	0.131	0.133	0.134	0.136
Intensity ratio (metric tons CO <sub>2</sub> e/1,000 RTMs)	1.53	1.55	1.56	1.58	1.63
<b>Greenhouse Gas Inventory (Scope 3 Emissions)</b>					
Capital goods—production of aircraft (metric tons CO <sub>2</sub> e)	68,500	62,900	43,600	26,500	53,000
Waste generated in operations—waste to landfill and burned for energy recovery (metric tons CO <sub>2</sub> e)	2,100	1,900	2,700	2,400	4,600
Employee commuting—estimate based on survey (metric tons CO <sub>2</sub> e)	223,600	214,200	218,600	183,600	174,000
<b>Other Air Emissions</b>					
NO <sub>x</sub> emissions (tons) <sup>38</sup>	6.8	7.1	7.1	7.1	-
SO <sub>x</sub> emissions (tons) <sup>38</sup>	0.7	0.7	0.7	0.7	-
<b>Regulatory Compliance</b>					
Number of environmental violations resulting in fines	None	None	1	6	3
Total environmental fines	\$ -	\$ -	\$3,303	\$ 7,497	\$5,738
<b>Environmental Conservation</b>					
Fuel efficiency (ASMs/gallon)	76.3	75.2	74.4	73.9	72.8
Fuel efficiency (RPMs/gallon)	63.7	63.1	62.5	61.8	60.0
Fuel efficiency (RTMs/gallon)	6.4	6.4	6.3	6.3	6.1
Total number of electric Ground Support Equipment (GSE) <sup>39</sup>	1,304	1,215	1,138	1,074	914
Purchases of renewable energy certificates (kWh) <sup>40</sup>	More than 25 million	More than 25 million	More than 25 million	More than 25 million	More than 25 million

## Planet Data Table

	2018	2017	2016	2015	2014
<b>Waste Management and Recycling<sup>41</sup></b>					
Total waste generated (tons)	10,599	9,858	9,690	11,135	-
Total waste recycled (tons)	3,757	3,737	3,348	4,148	-
Percent of total waste recycled	35	38	35	37	-
Recycled co-mingled waste—paper, plastic, aluminum, and cardboard (tons)	Nearly 3,000	More than 3,000	More than 2,600	More than 3,700	More than 3,000
Recycled industrial waste (tons)	568	730	721	631	520
Hazardous waste generated (tons)	29.2	21.6	24.1	25.1	16.5
Hazardous waste managed through recycling and beneficial reuse (tons)	20.6	17.2	16.1	18.9	12.4
Intensity ratio (pounds of hazardous waste generated/aircraft)	78	61	67	71	50

# GRI Content Index

The 2018 Southwest Airlines One Report follows the principles outlined in the Global Reporting Initiative's (GRI) G4 Guidelines. The GRI is a voluntary, internationally recognized framework for corporate social responsibility reporting that allows organizations to measure and report their efforts in a consistent manner. Information is presented in the 2018 Southwest Airlines One Report with respect to performance related to our corporate social responsibility key topics, a term we use instead of materiality to avoid confusion with key financial information. This content index depicts our GRI responses for calendar year 2018, unless otherwise noted.

Indicator	Description	Detail/Location in Report
<b>General Standard Disclosures</b>		
<b>Strategy and Analysis</b>		
<b>G4-1</b>	Statement from the most senior decision-maker of the organization	<a href="#">A Word From Gary</a> <a href="#">Reporting on Business Performance</a>
<b>Organizational Profile</b>		
<b>G4-3</b>	Name of the organization	Southwest Airlines Co.
<b>G4-4</b>	Primary brands, products, and/or services	<a href="#">Reporting on Business Performance</a>
<b>G4-5</b>	Location of organization's headquarters	2702 Love Field Dr. Dallas, Texas 75235 USA
<b>G4-6</b>	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	We operate in eleven countries: the United States, Mexico, Jamaica, Bahamas, Aruba, Dominican Republic, Costa Rica, Cuba, Belize, the Cayman Islands, and Turks and Caicos.
<b>G4-7</b>	Nature of ownership and legal form	<a href="#">Reporting on Business Performance</a>
<b>G4-8</b>	Markets served	We serve business and leisure air travelers, and in 2018 operated in the U.S. domestic market as well as some parts of Mexico, Central America, and the Caribbean region.  <a href="#">30,000 Foot View</a> <a href="#">The Fleet</a> <a href="#">The Southwest Network: California Strong</a>
<b>G4-9</b>	Scale of the reporting organization	<a href="#">Reporting on Business Performance</a>
<b>G4-10</b>	Total number of employees (including breakdown by gender and employment type)	<a href="#">A Snapshot of Southwest Employees</a> <a href="#">People Data Table</a>



Indicator	Description	Detail/Location in Report
<b>G4-11</b>	Employees covered by collective bargaining agreements	Approximately 83 percent of our Employees are covered by collective bargaining agreements.
<b>G4-12</b>	Supply chain	<p>To support our operations, we purchase goods and services from approximately 4,000 sources across multiple continents and countries, but given our network footprint as a North American carrier, the vast majority of our supply base and spend is in the U.S. domestic market. We maintain relationships directly with various types of suppliers, including service providers, contractors, manufacturers, brokers, and wholesalers. Our intent is to provide Southwest with the highest quality products and services at the lowest total costs.</p> <p>While we have dedicated Teams within our Supply Chain Management Department such as Fuel Management, Aircraft Maintenance, Technology, and Direct and Indirect Procurement, we strive to manage our supply chain holistically and to optimize system efficiency by utilizing analytically rigorous and dynamic approaches. Our Supply Chain Management Department has a Team dedicated to monitoring supplier performance, assessing risk and planning in the event of supply chain disruptions, and analyzing our supply chain spend so we can continuously improve performance.</p> <p>We build sustainable relationships with our suppliers that take into account, among other things, small and minority-owned businesses and the highest standards of ethical conduct.</p> <p><a href="#">Using Our Southwest Hearts to Engage on Meaningful Topics</a></p>
<b>G4-13</b>	Significant changes during the reporting period regarding size, structure, or ownership	<a href="#">Reporting on Business Performance</a>
<b>G4-14</b>	Precautionary approach	Not reported.
<b>G4-15</b>	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or endorses	<p><a href="#">Airlines for America (A4A)</a></p> <p><a href="#">Public Relations Research Standards</a></p> <p><a href="#">Diversity Best Practices</a>: the preeminent organization for mid- to large-size organizational diversity thought leaders to share best practices and develop innovative solutions for culture change. Each Southwest Employee can logon using their wnco.com email.</p>
<b>G4-16</b>	Association Memberships	<p><a href="#">Airlines for America (A4A)</a></p> <p><a href="#">Public Relations Research Standards</a></p> <p><a href="#">National Diversity Council Board</a></p> <p><a href="#">Workforce Solutions Greater Dallas Board</a>: the local organization mandated to implement a system of services that complement economic development as a resource for employers to access the quality employees they need, and training individuals to be successfully employed.</p>

Indicator	Description	Detail/Location in Report
<b>Identified Material Aspects and Boundaries</b>		
<b>G4-17</b>	Entities included in the organization's consolidated financial statements or equivalent documents	<a href="#">Reporting on Business Performance</a>
<b>G4-18</b>	Process for defining the report content and the Aspect Boundaries, and how the organization has implemented the Reporting Principles for Defining Report Content	Southwest regularly engages our Stakeholders through various channels and communications to attempt to better understand what is important to them. We also gain other learnings from industry benchmarking analyses we have regularly conducted since 2016. These efforts help us strive to balance Stakeholder interests with a reasonable and balanced representation of our corporate social responsibility initiatives related to environmental, social, and governance indicators.
<b>G4-19</b>	Material Aspects identified in the process for defining report content	We include the following key topics in the 2018 One Report: Economic Performance, Indirect Economic Impact, Energy, Water, Emissions, Effluents and Waste, Environmental Regulation Compliance, Employment, Training and Education, Diversity and Equal Opportunity, Human Rights, Freedom of Association and Collective Bargaining, Local Communities, Anti-Corruption, Public Policy, Customer Health and Safety, and Product and Service Labeling.
<b>G4-20/21</b>	Aspect boundaries	Covers only those business activities for which Southwest generally has complete control or ownership. This report does not include facilities primarily controlled by others, such as airport terminal space or outsourced or subcontracted facilities.
<b>G4-22</b>	Effect of any restatements of information provided in previous reports, and the reasons for such restatements	See data tables for any restatements of information provided in previous reports:  <a href="#">Performance Data Table</a> <a href="#">People Data Table</a> <a href="#">Planet Data Table</a>
<b>G4-23</b>	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	There are no significant changes from previous reporting periods in the Scope and Aspect Boundaries.
<b>Stakeholder Engagement</b>		
<b>G4-24</b>	Stakeholder groups engaged	Customers, Employees, NGOs/Community Groups, Suppliers, Shareholders, and Regulators.
<b>G4-25</b>	Basis for identification and selection of stakeholders with whom to engage	We maintain engagement channels with the Stakeholders who we believe may impact, or be impacted by, our business.  <a href="#">Reporting Approach</a>

Indicator	Description	Detail/Location in Report
<b>G4-26</b>	Approach to stakeholder engagement	<p><b>Customers:</b> Customer Experience surveys are sent to a representative sample of Customers each day post-travel. Daily interaction with our Customer Service Representatives with phone calls, email, or social media. Monthly brand and reputation monitoring and other ad hoc research through our Listening Center. Personal contact during travel experience with Customer Service Agents and Flight Crews.</p> <p><b>Employees:</b> Daily internal communications on our intranet, including news, department information, blogs, and the monthly news recap via video. Employees are able to interact in the comment sections. Monthly newsletters, annual Southwest Rallies, ongoing union meetings, and scheduled Employee surveys.</p> <p><b>NGOs/Community Groups:</b> Ongoing efforts with the Chambers of Commerce in each of our domestic cities, working with a variety of charitable organizations, one-on-one meetings or calls with industry associations or community influencers, and attending or speaking at numerous community partner events throughout 2018.</p> <p><b>Suppliers:</b> Ongoing efforts via emails, meetings, the RFP process, and supplier performance reviews.</p> <p><b>Shareholders:</b> Ongoing communication with our Investor Relations department via phone calls, email, and mail, Investor presentations, Annual Meeting of Shareholders, and the Investor Relations website.</p> <p><b>Regulators:</b> Ongoing engagement through permitting, compliance, and reporting activities. Safety testing, audits, and screenings.</p>
<b>G4-27</b>	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns	Throughout this report.

## Report Profile

<b>G4-28</b>	Reporting period	Calendar Year 2018, unless otherwise stated.
<b>G4-29</b>	Date of most recent previous report	June 5, 2018
<b>G4-30</b>	Reporting cycle	Annual
<b>G4-31</b>	Contact point for questions regarding the report or its contents	<a href="mailto:SWACitizenship@wnco.com">SWACitizenship@wnco.com</a>
<b>G4-32</b>	"In Accordance" option and the GRI Content Index for the chosen option	In accordance-Core <a href="#">GRI Content Index</a>
<b>G4-33</b>	Policy and current practice with regard to seeking external assurance for the report	This report has not been externally assured.

Indicator	Description	Detail/Location in Report
<b>Governance</b>		
<b>G4-34</b>	Governance structure of the organization	<a href="#">Reporting on Business Performance</a> <a href="#">Company Officers</a> <a href="#">Board of Directors</a> <a href="#">Board Committees</a> <a href="#">Corporate Governance Guidelines</a> <a href="#">Corporate Policies</a>
<b>Ethics and Integrity</b>		
<b>G4-56</b>	Values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	<a href="#">Purpose, Vision, Values and Mission Statements</a> <a href="#">Investor Relations</a> <a href="#">Supplier Information</a>
<b>Specific Standard Disclosures</b>		
<b>Economic</b>		
<b>Economic Performance</b>		
<b>DMA</b>	<p>Jobs and benefits, returns on investment, business partnerships, and Customer Service and Safety are all ways in which our economic performance matters to our Employees, Customers, Shareholders, suppliers, and the communities in which we operate. We strive to continuously improve our Performance by focusing on our Purpose, and our People are dedicated to fulfilling our Vision.</p> <p>Southwest is known for a triple bottom line approach that contributes to our performance and productivity. We've achieved our success without resorting to layoffs or pay cuts, and Employees share in Southwest's success with our ProfitSharing Plan, the first in the airline industry. This approach helps us retain Employees, reducing turnover costs.</p> <p>We expect our market presence to generate substantial savings for our Customers through the well-known "Southwest Effect" of invigorating competition by reducing fares and stimulating additional Passenger traffic in the cities where we fly. Our commitment to the Planet helps us manage costs by using resources efficiently and identifying emerging environmental trends and risks. In the air, we're conserving jet fuel and reducing emissions. Given fuel is one of our largest expenses, operating with a green filter is not only good for the environment, it's also good for our bottom line. Regarding our position on the potential risks associated with climate change, in our CDP (formerly the Carbon Disclosure Project) response, we have identified risks associated with regulatory change and physical climate risks such as extreme weather events as having the potential to create operational complexities. These complexities may affect airline operations, which could result in impacts to operational and capital costs and ontime performance.</p>	<a href="#">Performance</a>
<b>EC-1</b>	Direct economic value generated and distributed	<a href="#">Reporting on Business Performance</a> <a href="#">A Decade of Consistent Performance</a> <a href="#">Great People Work in Great Spaces</a> <a href="#">Bold Blue: Because Our People Know Best</a>



Indicator	Description	Detail/Location in Report
EC-2	Climate change risks and opportunities	<p>Southwest has voluntarily reported our greenhouse gas emissions through CDP for the past 10 years. In our CDP response, we quantify climate change impacts, risks, and opportunities on our business, and provide information on how we're integrating climate change into our business strategy. You can find Southwest's CDP response at <a href="http://www.cdp.net">www.cdp.net</a>. We have invested more than \$600 million in fuel efficiency projects since 2002.</p> <p><a href="#">Planet</a></p>
EC-3	Coverage of defined benefit plan obligations	<p>We invested \$1.0 billion in our Employees through 401(k) contributions and, based on 2018 results, part of the \$544 million ProfitSharing award paid to the retirement plan and part in cash.</p> <p>For the 2018 plan year, each eligible Employee will receive a ProfitSharing award equal to approximately 10.8 percent of eligible compensation, payable in 2019. Southwest will pay part of the ProfitSharing award to the retirement plan and part in cash. Most Employees will receive 10 percent of eligible compensation as a contribution to the ProfitSharing Plan and the remainder—approximately 0.8 percent—in cash. Some Employees will receive the entire ProfitSharing award as a contribution to their retirement plan as specified in their collective bargaining agreement.</p> <p><a href="#">People Data Table</a></p>
<b>Indirect Economic Impact</b>		
DMA	Our performance impacts more than our Company. Our market presence and low fares stimulate economies in cities where we fly. We also make investments in infrastructure and services that more broadly affect the communities we serve in terms of jobs, access to services, or other impacts. Working with local communities and regulators, we strive to maximize the benefits of our investments to local and regional economies.	
EC-8	Significant indirect economic impact	<p><a href="#">The Southwest Network: California Strong</a></p> <p><a href="#">Great People Work in Great Spaces</a></p> <p><a href="#">Sharing the Southwest Heart Internationally</a></p> <p><a href="#">Many Different Ways to Give</a></p>

Indicator	Description	Detail/Location in Report
<b>Environmental</b>		
<b>DMA</b>  (for all reported environmental topics)	<p>We recognize the importance of environmental stewardship and believe it's our responsibility to protect our planet now and for future generations. We do our part to make environmentally responsible decisions and to minimize our impact on the environment by collecting and analyzing information on our energy consumption, emissions, and waste, and continually improving the actions we take to mitigate our impacts. We set goals and use an environmental management system (EMS) and chemical management system (CMS) to help us maintain compliance with environmental regulations, minimize costs and risk, and measure our efforts to improve our environmental performance. Given fuel is one of our largest expenses and the burning of it produces greenhouse gas (GHG) emissions, we strive to reduce future emissions while continuing to provide safe, reliable, and affordable air transportation for our Customers.</p> <p>A third party assessment of Southwest's 2018 GHG Emissions Inventory has been completed in accordance with AA1000 Assurance Standard. This assurance engagement included our Scope 1, Scope 2, and Scope 3 GHG Emissions. We are currently meeting our GHG emission targets without using carbon offsets.</p> <p>Southwest's Leaders and Employees are responsible for minimizing our impact on the environment by:</p> <ul style="list-style-type: none"> <li>• Complying with all environmental laws and regulations</li> <li>• Striving to meet our annual goal of zero environmental violations in our operations</li> <li>• Maintaining our EMS, following procedures, and training our Employees to meet our compliance goals</li> <li>• Continuing to improve our performance regarding our environmental goals and initiatives, including our goals for reducing GHG emissions intensity</li> <li>• Auditing our operations for environmental compliance and implementing corrective actions where needed</li> <li>• Auditing our environmental vendors to verify their operations are compliant and they demonstrate a commitment to environmental stewardship</li> <li>• Providing transparency of our environmental performance to our Stakeholders through public reporting and third-party verification and assurance of our GHG emissions inventory</li> <li>• Conserving natural resources, including efficient use of water and raw materials, and using alternative fuels and renewable energy where possible while continuing to meet our operational requirements</li> <li>• Minimizing waste, pollution, and emissions from our operations and preventing it where possible while remaining true to the triple bottom line of Performance, People, and Planet</li> </ul> <p>Maintaining compliance with all local, state, and federal environmental laws and regulations is fundamental to our environmental policy. We continually work to meet our annual goal of zero recorded environmental violations. Our Environmental Services Team regularly conducts audits to review compliance, and we are working to improve our performance by maintaining and improving our EMS, following environmental guidelines and procedures, implementing corrective action, and training our Employees to meet our compliance goals.</p> <p>Our standard auditing protocol assesses a location's record keeping, permit status, and compliance with requirements of regulatory plans such as Storm Water Pollution Prevention Plans and Spill Prevention, Control, and Countermeasure Plans. We perform a visual, walk-through inspection to confirm that key compliance practices are enacted in each of the cities we serve. We also track spills at all of our locations, audit findings and corresponding corrective action, and information about permits and their expiration dates.</p> <p><a href="#">Planet</a></p>	

Indicator	Description	Detail/Location in Report
<b>Energy</b>		
EN-3	Energy consumption	<a href="#">Fuel Efficiency</a> <a href="#">Respecting Our Resources and Using Them Efficiently</a> <a href="#">Planet Data Table</a>
EN-5	Energy intensity	<a href="#">Planet Data Table</a>
EN-6	Reduction of energy consumption	<a href="#">Fuel Efficiency</a> <a href="#">Respecting Our Resources and Using Them Efficiently</a>
EN-7	Reductions in energy requirements of services	We increased our fuel efficiency (available seat miles <sup>7</sup> per gallon of fuel) from 75.2 in 2017 to 76.3 in 2018. <a href="#">Planet Data Table</a>
<b>Water</b>		
EN-8	Total quantity consumed by source	<a href="#">Planet Data Table</a>
<b>Emissions</b>		
EN-15	GHG emissions (Scope 1)	<a href="#">Greenhouse Gas Emissions</a> <a href="#">Planet Data Table</a>
EN-16	GHG emissions (Scope 2)	<a href="#">Greenhouse Gas Emissions</a> <a href="#">Planet Data Table</a>
EN-17	GHG emissions (Scope 3)	<a href="#">Planet Data Table</a>
EN-18	GHG emissions intensity	<a href="#">Greenhouse Gas Emissions</a> <a href="#">Planet Data Table</a>
EN-19	GHG emissions reduction	<a href="#">Greenhouse Gas Emissions</a> <a href="#">Planet Data Table</a>
EN-20	Emissions of ozone-depleting substances	One of the most important issues surrounding chemical management is the use of ozone-depleting substances. The ozone layer prevents harmful ultraviolet light from passing through the atmosphere, and the use of these substances can cause a decrease in the total volume of the ozone layer. Potential ozone-depleting substances Southwest presently uses include refrigerants found in the HVAC systems and appliances of Southwest operated buildings and the air conditioning systems of company vehicles. In every location except our Headquarters Campus, we contract the servicing of our HVAC systems. For this reason, we estimate the use of these substances for reporting purposes. In 2018, the estimated emissions were 3,395 metric tons of CO <sub>2</sub> e based on an upper-bound assumption of the expected losses that would occur from Southwest facilities. We do not produce or import ozone-depleting substances in Southwest operations.
EN-21	Quantity of hazardous air pollutants	<a href="#">Planet Data Table</a>

Indicator	Description	Detail/Location in Report
<b>Effluents and Waste</b>		
EN-23	Total weight of solid waste by disposal type	<a href="#">Recycling</a> <a href="#">Planet Data Table</a>
EN-24	Total number and volume of significant spills	<p>In 2018, we had no spills that were reportable to the National Response Center per regulatory requirements.</p> <p>We recognize that spills of chemicals, oils, and fuels can have a significant impact on our planet, so we make every effort to prevent them. However, we acknowledge that despite our best efforts, some spills do happen because of equipment failure or human error. We provide our Employees 24/7 access to guidance and emergency response assistance with spill response, and we track our spills using an online spill reporting form. This not only makes it simple for our Employees to report a spill in a timely and accurate manner, but it also provides automatic notification to the entire Environmental Services Team upon submittal for quick response and regulatory agency reporting when required. The Environmental Services Team also compiles and analyzes details from all spills so operating groups can assess spill prevention strategies.</p>
<b>Compliance</b>		
EN-29	Monetary value of significant fines	<a href="#">Planet Data Table</a>
<b>Social: Labor Practices and Decent Work</b>		
DMA	<p>Employees are the heartbeat of Southwest. We focus on bringing the best People into the Southwest Family with a competitive compensation and benefits package. We then provide a positive working environment, training, and encouragement to help them succeed. Therefore, our approach to employment and labor practices is a critical strategy guided by our Executive Vice President Corporate Services and our People and General Counsel Departments, which includes a section devoted solely to Labor and Employee Relations.</p> <p>We are committed to:</p> <ul style="list-style-type: none"> <li>• Seeking talented People</li> <li>• Maintaining positive union relations</li> <li>• Investing in training and educational opportunities to enhance Employees' skills</li> <li>• Fostering an atmosphere that promotes equal opportunity</li> <li>• Providing our Employees with a safe and stable work environment</li> <li>• Maintaining equal opportunity for learning and personal growth</li> <li>• Reinforcing our commitment to an inclusive environment based upon teamwork, value, and respect</li> </ul> <p>We conduct scheduled Employee surveys to assess job satisfaction of our Employees, and we use information from the surveys to improve our ability to attract, develop, and retain talented Employees who will help us meet Southwest's business needs today and tomorrow.</p> <p>In conjunction with Southwest Airlines University (SWA U), Diversity and Inclusion, and other Departments, our People Department's priorities include (but are not limited to): attracting, developing, and retaining a diverse workforce; providing opportunities for learning, development, career growth, and movement within the Company; evaluating compensation and benefits, and rewarding performance; investing in physical, emotional, and financial health; obtaining Employee feedback; maintaining and enhancing Company Culture; and communicating with the Board of Directors on a routine basis on key topics including Executive succession planning.</p> <p><a href="#">People Data Table</a></p>	



Indicator	Description	Detail/Location in Report
<b>Employment</b>		
LA-1	Employee hire and turnover rate	<a href="#">People Data Table</a>
LA-2	Benefits provided to full-time Employees	<p>In 2018, more than 62,800 active and inactive Southwest Employees participated in at least one component of the Company's Employee benefits program. Southwest offers standard benefits to both full-time and part-time Employees. In the case of tuition reimbursement, Southwest provides the following maximum annual benefit, which will be counted toward the calendar year in which reimbursement is made:</p> <ul style="list-style-type: none"> <li>Graduate Degrees: \$5,000 for a full-time Employee, \$2,500 for a part-time Employee.</li> <li>Undergraduate Degrees, Individual/Preparatory courses and Certificate Programs: \$2,500 for a full-time Employee, \$1,250 for a part-time Employee.</li> </ul> <p>Many of the components offered to Employees in our Employee benefits program also are offered to dependents and/or committed partners.</p> <p><a href="#">Employee Benefits</a></p>
<b>Training and Education</b>		
LA-9	Hours of annual Employee training	<p><a href="#">Equipping Our Employees With Tools for Success</a></p> <p><a href="#">People Data Table</a></p>
<b>Diversity and Equal Opportunity</b>		
LA-12	Diversity and equality breakdown of employees	<p><a href="#">A Snapshot of Southwest Employees</a></p> <p><a href="#">The Power of Inclusion</a></p>
<b>Social: Human Rights</b>		
DMA	<p>At Southwest, we are strong supporters of protecting each individual's basic human and civil rights and are guided by fundamental principles to not only comply with the law at all times, but also to avoid the appearance of impropriety in the actions of our Employees and our business partners. One of our key corporate responsibilities is to respect human rights within our operations and throughout our value chains. We reflect these principles in various policies and our conduct toward Employees, Customers, suppliers, and the communities we serve.</p> <p>We have created and adhere to Company policies to support and respect the protection of human rights within our sphere of influence. These policies include our commitment to:</p> <ul style="list-style-type: none"> <li>Prohibit any form of harassment, discrimination, or retaliation in the workplace based on race, color, religion, age, sex, sexual orientation, gender identity, pregnancy, marital status, national origin, disability, veteran status, genetic information, or other legally protected statuses</li> <li>Respect the right of Employees to associate freely</li> <li>Recognize lawful rights of Employees to choose or not choose collective bargaining representation</li> </ul> <p><a href="#">Corporate Policies</a></p>	

Indicator	Description	Detail/Location in Report
<b>Investment</b>		
HR-2	Employee training on human rights	<p>Forty-four percent of Employees and more than 8,300 contractors received training on Human Rights in 2018.</p> <p>We conduct training on human rights issues as they relate to harassment, discrimination, or retaliation for all new hires. Human rights training and information (including training on human trafficking and notification to law enforcement authorities) is available for existing Employees through a variety of vehicles, including our Guidelines for Employees, our Disability Discrimination and Workplace Accommodation Policy, in both written and audio versions, and our Most Compliant Leader training, a program required bi-annually of all Leaders, Supervisors, and above, and our harassment online learning module.</p> <p>We are currently working on more robust human trafficking training for our Frontline Employees.</p> <p>There is a growing focus on human trafficking at Southwest and in the airline industry. In early 2019, more than 600 of our Senior Leaders attended a presentation on human trafficking by Bradley Myles, CEO of Polaris. A Southwest Community Outreach partner, Polaris is a leader in the global fight to eradicate modern slavery and disrupts the human trafficking networks that rob human beings of their lives and their freedom.</p> <p><a href="#">Using Our Southwest Hearts to Engage on Meaningful Topics</a></p> <p><a href="#">People Data Table</a></p> <p><a href="#">Policy on Harassment, Sexual Harassment, Discrimination, and Retaliation</a></p>
<b>Freedom of Association and Collective Bargaining</b>		
HR-4	Freedom of association and collective bargaining	<p>We have not identified operations or suppliers where the right to exercise freedom of association and collective bargaining are being violated. We take preventative measures to avoid this risk by implementing our <a href="#">Code of Conduct</a>.</p> <p><a href="#">Corporate Policies</a></p>

Indicator	Description	Detail/Location in Report
<b>Social: Society</b>		
<b>Local Communities</b>		
<b>DMA</b>	<p>We understand the powerful impacts that our Company can have on the social systems within which we operate and our responsibility to be a good corporate citizen. That is why we have a Social Topics Committee and Community Outreach Department committed to engaging and giving back in the communities where our Customers and Employees live and work. In response to a growing number of requests from the public about Southwest's stance on various issues, the Social Topics Committee was formed in 2015 and is a cross-functional Team that examines how the Company will engage in a variety of social topics. The Committee reviews and discusses social topics and inquiries; employs guidelines to measure impact on perception; and routinely engages Senior Executives on its proposed level of engagement and responses. The Committee uses a decision framework with guiding principles of speed, courage, and consistency. Factors that are considered when deciding if and how to respond include the impact on our Employees, the public perception of our response, the potential impact to our brand and reputation, and the effect on our business and our Customers. Through our Community Outreach Team, we provide support, leadership, and encouragement to a variety of local, civic, and charitable organizations. We believe in connecting People and championing the communities where our Employees live and work, and we strategically invest our resources to support needs and the causes that matter most to those communities. Our Employees get involved through volunteering, can serve as ambassadors, and participate on Community Giving Boards to help direct support to local organizations.</p> <p>Community Giving Boards are made up of local Employees from various work groups who evaluate donation requests Southwest receives from nonprofit charitable organizations in their community. The Boards donate complimentary, roundtrip travel to approved organizations for fundraising or transportation purposes.</p> <p><a href="#">People</a></p>	
<b>SO-1</b>	Local community engagement	<p>The mission of the Southwest Heart of the Community program is to build connections that bring People together and strengthen communities for a more resilient future.</p> <p>Since the program launch in 2014, we've invested \$4.5 million through 25 grants supporting public spaces across the U.S. and Mexico in partnership with Project for Public Spaces.</p> <p>Through expanded efforts with Points of Light, we also completed work in three low-income neighborhoods in Atlanta, Chicago, and Phoenix, focusing resources on community-level problem solvers, resident volunteers and local nonprofits in an effort to improve public spaces, foster greater civic connections and build social capital. Across the three communities, 1,048 volunteers were engaged, serving 3,133 hours in addressing high-priority community needs and making tangible improvements in collaboration with 40 unique organizations.</p> <p><a href="#">Partnerships that Make a Difference</a></p> <p><a href="#">Sharing the Southwest Heart Internationally</a></p> <p><a href="#">Many Different Ways to Give</a></p> <p><a href="#">A Garden With Heart</a></p> <p><a href="#">Celebrating and Inspiring Future Generations</a></p> <p><a href="#">Travel Assistance for Patients in Need</a></p> <p><a href="#">Southwest Employees Put Heart in Action During Spring Companywide Initiative</a></p> <p><a href="#">People Data Table</a></p>

Indicator	Description	Detail/Location in Report
<b>Anti-Corruption</b>		
<b>DMA</b>	At Southwest, we strive to maintain accountability and transparency of our business practices to reduce or eliminate corruption. We require all Employees to annually certify receipt and understanding of our Code of Ethics and Insider Trading Policy. We also employ robust auditing procedures to analyze and monitor business activities, which further enhance our ability to maintain high ethical standards. We continually review our systems to provide transparency and accountability, and we update our corporate governance policies when needed.	
<b>SO-4</b>	Anti-corruption communication	<p>In 2018, more than 64,000 Southwest Employees and certain business associates certified receipt of our Code of Ethics and Insider Trading policy. During 2018, we also distributed our Foreign Corrupt Practices Act Policy and Anti-Corruption Compliance Procedures to all Company Officers, Senior Leaders of all departments, and select Employees and contractors who are involved with Southwest's financial records and/or international operations. In 2018, more than 2,900 individuals received and completed a compliance questionnaire regarding the Foreign Corrupt Practices Act.</p> <p><a href="#">Corporate Governance Guidelines</a></p>
<b>Public Policy</b>		
<b>DMA</b>	<p>We must continually adapt to new laws and regulations. Legislative and regulatory changes have the potential to limit our opportunities for growth, and government policies and legislation can have a deep impact on how we do business. We present our views on these topics to a wide range of policymakers and stakeholder groups through trade associations, chambers of commerce, and interactions with public officials at the federal level and in the states and communities we serve. We participate in industry associations such as Airlines for America (A4A) and have developed our own public outreach program for our Employees called the Key Contact Program. Our involvement allows us to gain insight into core issues for the airline industry as a whole and to advocate jointly for regulations that support a healthy, competitive industry. We also benefit from the opportunity to share technical expertise and operational knowledge that leads to improved margins of Safety and security, greater Employee and Customer satisfaction, and better overall operational efficiency and reliability.</p> <p>Southwest has adopted a policy that it will primarily use its affiliated political action committee, the Southwest Airlines Co. Freedom Fund (Freedom Fund), which is financed through voluntary Employee contributions, to support political campaigns, and that Company funds will be limited to supporting selected political campaigns at the state and local level in compliance with the laws of the relevant states and localities. All political campaign contributions from the Freedom Fund or by the Company directly are approved by the Senior Vice President of Governmental Affairs and Real Estate and overseen by Southwest's Executive Vice President, Chief Legal and Regulatory Officer, with an annual summary of those contributions provided to the Southwest Board of Directors. All political contributions are intended to promote the interests of the Company and are not guided by any private political preferences of any Employee. All contributions by the Freedom Fund are disclosed via publicly available reports filed monthly with the Federal Election Commission. The Company strives to comply with all applicable federal, state, and local campaign finance restrictions and disclosure requirements.</p>	
<b>SO-6</b>	Political contributions	<p>In 2018, the Company contributed \$34,600 directly to political campaigns at the state and/or local level in four states (California, Florida, Illinois, and Maryland). In 2018, the Company did not support or finance any state or local ballot measure before voters. At the federal level, no Company funds were used to support or finance any political campaign, nor did the Company support or finance any so-called "Super PACs" or any political committees organized under section 527 of the Internal Revenue Code. The Company made one \$50,000 contribution to a politically affiliated 501(c)(4) organization in 2018.</p> <p>In 2018, A4A, our airline industry trade association, determined that \$1,279,040 of the total dues paid by the Company to A4A were nondeductible lobbying expenses. Southwest also paid dues to several other national, state, and local trade associations and chamber organizations, in which a portion of those dues were used by these organizations for nondeductible lobbying activities; however, in all cases, that portion was less than \$7,000 annually for each organization.</p>



Indicator	Description	Detail/Location in Report
<b>Social: Product Responsibility</b>		
<b>Customer Health and Safety</b>		
<b>DMA</b>	At Southwest, we are committed to the Safety and Security of our Customers and Employees—it's our number one priority. We continually work to create and foster a Culture of Safety and Security that proactively identifies and manages risks to the operation and workplace before they can become injuries, accidents, or incidents. We strive to manage our Culture of Safety and Security through establishing and annually reviewing Safety-related objectives, establishing and promoting Safety and Security reporting processes, and creating and maintaining a proactive reporting Culture. Southwest's policy is that no disciplinary action will be taken against any Employee for reporting a Safety or Security occurrence or hazards, except in cases where behavior is ultimately deemed to be reckless.	
<b>PR-1</b>	Health and safety impact assessment	<a href="#">Equipping Our Employees With Tools for Success</a> <a href="#">People Data Table</a>
<b>Product and Service Labeling</b>		
<b>DMA</b>	<p>Southwest has always focused on the Customer, with features such as no first or second checked bag fees (size and weight limits apply) or change fees (fare differences apply), and with a constant desire to improve the Customer Experience. We measure our Customer Satisfaction on an ongoing basis by tracking various sources of Customer Satisfaction data such as our Net Promoter Score, the American Customer Satisfaction Index, and the U.S. Department of Transportation's Customer Satisfaction Ratings. We also measure Customer Satisfaction through our own Tracking Loyal Customers platform and through the Customer Experience survey which is sent to a representative sample of Customers each day post-travel. Survey results are reported to Leaders of the Company and to Leaders in the various Customer touchpoint areas who use the results to measure performance of key activities. We also do monthly brand monitor research and other ad hoc research that evaluates Customer and non-Customer perceptions and experiences. Additionally, we track feedback received through various channels such as call centers and social media to learn how we are doing.</p> <p>We recognize the importance of communicating openly, accurately, and responsibly about our service to our Customers, and we are committed to Transfarency,<sup>®</sup> honest communication about our fares, so Customers can make informed choices.</p> <p>Our Customer Service actions are further communicated to our Customers through the use of various channels or Customer Insight opportunities that allow for two-way communication with our Customers, such as through Southwest's Listening Center and social media. In all these channels, we're answering questions and looking for ways to connect our Customers to what's important in their lives.</p> <p><a href="#">People</a> <a href="#">Customer Service Policies</a> (click on "Customer Commitments")</p>	
<b>PR-5</b>	Customer satisfaction	<p>External Customer commendations were over 96,000 in 2018, our U.S. DOT score related to consumer complaints per 100,000 enplanements decreased over 19 percent from 2017, and our mishandled baggage ratio remained strong.</p> <p><a href="#">Bold Blue: Because Our People Know Best</a> <a href="#">Sharing Our Heart in California</a> <a href="#">For Us, Its Personal</a> <a href="#">Using Our Southwest Hearts to Engage on Meaningful Topics</a> <a href="#">People Data Table</a></p>

# Footnotes

- 1) The 2018 Southwest Airlines One Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Specific forward-looking statements include, without limitation, statements related to (i) the Company's Vision; (ii) the Company's financial position, outlook, goals, targets, strategies, plans, expectations, and projected results of operations, including specific factors expected to impact the Company's results of operations; (iii) the Company's network, growth, and capacity plans, strategies, opportunities, and expectations; (iv) the Company's expectations and goals with respect to enhancing Shareholder value and returning value to Shareholders; (v) the Company's fleet plans, strategies, and expectations, including its fleet modernization initiatives, and the Company's related financial and operational expectations; (vi) the Company's operational initiatives and related plans and expectations, including with respect to its technology and innovation initiatives; and (vii) the Company's other initiatives, including construction, safety, fuel, and environmental initiatives, and related plans and expectations. These statements involve risks, uncertainties, assumptions, and other factors that are difficult to predict and that could cause actual results to vary materially from those expressed in or indicated by them. Factors include, among others, (i) changes in demand for the Company's services and other changes in consumer behavior; (ii) the impact of a continually changing business environment, economic conditions, fuel prices, actions of competitors (including without limitation pricing, product, scheduling, capacity, and network decisions, and consolidation and alliance activities), and other factors beyond the Company's control, on the Company's business decisions, plans, strategies, and results; (iii) the impact of governmental actions and governmental regulations related to the Company's operations, in particular with respect to the grounding of the Company's 737 MAX 8 fleet; (iv) the Company's dependence on third parties, in particular with respect to its fleet and technology plans and expectations, and the impact on the Company's operations and results of operations of any related third party delays or non-performance; (v) the Company's ability to timely and effectively implement, transition, and maintain the necessary information technology systems and infrastructure to support its operations and initiatives; (vi) the Company's ability to timely and effectively prioritize its initiatives and related expenditures; (vii) the impact of labor matters on the Company's business decisions, plans, strategies, and costs; (viii) changes in aircraft fuel prices, the volatility of commodities used by the Company for hedging jet fuel, and any changes to the Company's fuel hedging strategies and positions; and (ix) other factors, as described in the Company's filings with the Securities and Exchange Commission, including the detailed factors discussed under the heading "Risk Factors" in the Company's Annual Report on Form 10-K for the fiscal year ended Dec. 31, 2018.
- 2) Source: Air Travel Consumer Reports. Rankings based on complaints filed with the Department of Transportation (DOT) per 100,000 passengers served. Southwest tied for 1st place in the DOT's Year-to-Date (YTD) Customer Service ranking among Operating Carriers. Southwest was by far #1 among Marketing Carriers. An Operating Carrier can be an airline that only operates flights on behalf of another/larger carrier (i.e. "Branded Codeshare Partner") or any airline that sells and flies under its own brand (a.k.a. "Marketing Carrier").
- 3) A revenue ton mile (RTM) is one ton of revenue traffic (passenger and cargo) transported one mile.
- 4) The Company's Consolidated Financial Statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). These GAAP financial statements include (i) unrealized noncash adjustments and reclassifications, which can be significant, as a result of accounting requirements and elections made under accounting pronouncements relating to derivative instruments and hedging and (ii) other charges and benefits the Company believes are unusual and/or infrequent in nature and thus may make comparisons to its prior or future performance difficult.

As a result, the Company also provides financial information in this filing that was not prepared in accordance with GAAP and should not be considered as an alternative to the information prepared in accordance with GAAP. The Company provides supplemental non-GAAP financial information (also referred to as "excluding special items"), including results that it refers to as "economic," which the Company's management utilizes to evaluate its ongoing financial performance and the Company believes provides additional insight to investors as supplemental information to its GAAP results. The non-GAAP measures provided that relate to the Company's performance on an economic fuel cost basis include Fuel and oil expense, non-GAAP; Total operating expenses, non-GAAP; Operating income, non-GAAP; Adjusted operating income, non-GAAP; Income tax rate, non-GAAP; Provision for income taxes, non-GAAP; Net income, non-GAAP; Net income per share, diluted, non-GAAP; and Operating expenses per ASM, non-GAAP, excluding ProfitSharing and Fuel and oil expense. The Company's economic Fuel and oil expense results differ from GAAP results in that they only include the actual cash settlements from fuel hedge contracts - all reflected within Fuel and oil expense in the period of settlement. Thus, Fuel and oil expense on an economic basis has historically been utilized by the Company, as well as some of the other airlines that utilize fuel hedging, as it reflects the Company's actual net cash outlays for fuel during the applicable period, inclusive of settled fuel derivative contracts. Any net premium costs paid related to option contracts that are designated as hedges are reflected as a component of Fuel and oil expense, for both GAAP and non-GAAP (including economic) purposes in the period of contract settlement. The Company believes these economic results provide further insight on the impact of the Company's fuel hedges on its operating performance and liquidity since they exclude the unrealized, noncash adjustments and reclassifications that are recorded in GAAP results in accordance with accounting guidance relating to derivative instruments, and they reflect all cash settlements related to fuel derivative contracts within Fuel and oil expense. This enables the Company's management, as well as investors and analysts, to consistently assess the Company's operating performance on a year-over-year or quarter-over-quarter basis after considering all efforts in place to manage fuel expense. However, because these measures are not determined in accordance with GAAP, such measures are susceptible to varying calculations, and not all companies calculate the measures in the same manner. As a result, the aforementioned measures, as presented, may not be directly comparable to similarly titled measures presented by other companies.

Further information on (i) the Company's fuel hedging program, (ii) the requirements of accounting for derivative instruments, and (iii) the causes of hedge ineffectiveness and/or market-to-market gains or losses from derivative instruments is included in Note 2 and Note 10 to the Consolidated Financial Statements on Form 10-K for the fiscal year ended Dec. 31, 2018, which also discusses the Company's Jan. 1, 2018 adoption of the New Hedging Standard. The Company's GAAP results in the applicable periods include other charges or benefits that are also deemed "special items," that the Company believes make its results difficult to compare to prior periods, anticipated future periods, or industry trends. Financial measures identified as non-GAAP (or as excluding special items) have been adjusted to exclude special items. Special items include:

- A gain recognized in first quarter 2018, associated with the sale of 39 owned Boeing 737-300 aircraft and a number of spare engines to a third party. These aircraft were previously retired as part of the Company's exit of its Classic fleet. The gain was not anticipated, and the Company associates it with the grounding charge recorded in third quarter 2017; and
- An adjustment to Provision for income taxes related to the Tax Cuts and Jobs Act legislation enacted in December 2017, which resulted in a

re-measurement of the Company's deferred tax assets and liabilities at the new federal corporate tax rate of 21 percent. This adjustment was a non-cash item and was treated as a special item.

Because management believes each of these items can distort the trends associated with the Company's ongoing performance as an airline, the Company believes that evaluation of its financial performance can be enhanced by a supplemental presentation of results that exclude the impact of these items in order to enhance consistency and comparativeness with results in prior periods that do not include such items and as a basis for evaluating operating results in future periods. The following measures are often provided, excluding special items, and utilized by the Company's management, analysts, and investors to enhance comparability of year-over-year results, as well as to industry trends: Total operating expenses, non-GAAP; Operating income, non-GAAP; Adjusted operating income, non-GAAP; Income tax rate, non-GAAP; Provision for income taxes, non-GAAP; Net income, non-GAAP; Net income per share, diluted, non-GAAP; and Operating expenses per ASM, non-GAAP, excluding ProfitSharing and Fuel and oil expense.

The Company has also provided free cash flow, which is a non-GAAP financial measure. The Company believes free cash flow is a meaningful measure because it demonstrates the Company's ability to service its debt, pay dividends, and make investments to enhance Shareholder value. Although free cash flow is commonly used as a measure of liquidity, definitions of free cash flow may differ; therefore, the Company is providing an explanation of its calculation for free cash flow. For the year ended Dec. 31, 2018, the Company generated \$3.1 billion in free cash flow, calculated as operating cash flows of \$4.9 billion less capital expenditures of \$1.9 billion less assets constructed for others of \$54 million plus reimbursements for assets constructed for others of \$170 million.

The Company has also provided its calculation of return on invested capital, which is a measure of financial performance used by management to evaluate its investment returns on capital. Return on invested capital is not a substitute for financial results as reported in accordance with GAAP, and should not be utilized in place of such GAAP results. Although return on invested capital is not a measure defined by GAAP, it is calculated by the Company, in part, using non-GAAP financial measures. Those non-GAAP financial measures are utilized for the same reasons as those noted above for Net income, non-GAAP and Operating income, non-GAAP. The comparable GAAP measures include charges or benefits that are deemed "special items" that the Company believes make its results difficult to compare to prior periods, anticipated future periods, or industry trends, and the Company's profitability targets and estimates, both internally and externally, are based on non-GAAP results since in the vast majority of cases the "special items" cannot be reliably predicted or estimated. The Company believes non-GAAP return on invested capital is a meaningful measure because it quantifies the Company's effectiveness in generating returns relative to the capital it has invested in its business. Although return on invested capital is commonly used as a measure of capital efficiency, definitions of return on invested capital differ; therefore, the Company is providing an explanation of its calculation for non-GAAP return on invested capital in the accompanying reconciliation in order to allow investors to compare and contrast its calculation to the calculations provided by other companies.

Information regarding special items and reconciliation of reported amounts to amounts excluding special items are included in the accompanying reconciliation tables in the Performance section.

- 5) Load factor is RPMs<sup>6</sup> divided by ASMs.<sup>7</sup>
- 6) An RPM is one paying Passenger flown one mile. Also referred to as "traffic," which is a measure of demand for a given period.
- 7) An available seat mile (ASM) is one seat (empty or full) flown one mile. Also referred to as "capacity," which is a measure of the space available to carry Passengers in a given period.

- 8) The average distance in miles the aircraft is flown per trip.
- 9) The average amount of Passenger revenue per revenue Passenger carried.
- 10) Calculated as Passenger revenue divided by RPMs. Also referred to as "yield," this is the average cost paid by a paying Passenger to fly one mile, which is a measure of revenue production and fares.
- 11) Calculated as operating revenues divided by ASMs. Also referred to as "operating unit revenues" or "RASM," this is a measure of operating revenue production based on the total available seat miles flown during a particular period. Year ended 2015 RASM excludes a \$172 million one-time special revenue adjustment. Including the special revenue adjustment, RASM would have been 14.11 cents for the year ended 2015.
- 12) Calculated as operating expenses divided by ASMs. Also referred to as "unit costs" or "costs per available seat mile," this is the average cost to fly an aircraft seat (empty or full) one mile, which is a measure of cost efficiencies.
- 13) Active, full-time equivalent Employees as of Dec. 31 for specific calendar year.
- 14) Aircraft in the Company's fleet at yearend, less Boeing 717-200s removed from service in preparation for transition out of the fleet. Fleet at yearend 2017 does not include the Company's Boeing 737-300 aircraft that were retired and grounded at the end of third quarter 2017 but remained in the Company's possession.
- 15) As of Jan. 1, 2018, the Company adopted Accounting Standards Update ("ASU") 2014-09: Revenue from Contracts with Customers (the "New Revenue Standard"), ASU 2017-07: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost (the "New Retirement Standard"), and ASU 2017-12: Targeted Improvements to Accounting for Hedging Activities (the "New Hedging Standard"), using the retrospective method. As a result, certain prior period results have been recast due to the transition methods applied.
- 16) The Company has chosen to not recast 2009-2015 results for the New Revenue Standard, as permitted by applicable accounting guidance. Therefore, years 2009-2015 only reflect recast results for the New Retirement Standard and the New Hedging Standard.
- 17) As measured by the U.S. DOT's O&D Survey for the 12 months ended Sept. 30, 2018 based on domestic originating passengers. O&D stands for Origin and Destination.
- 18) Metro areas are areas around cities that may include multiple major airports. In some cases, the airports within a metro area may serve separate competitive markets.
- 19) Co-terminal: Airports that share a common city or region; for example, Newark, LaGuardia, and JFK are considered co-terminals to one another.
- 20) Percentage of year-over-year ASM<sup>7</sup> growth that touched California.
- 21) A slot is the right of an air carrier, pursuant to regulations by the Federal Aviation Administration, to operate a takeoff or landing at a specific time at certain airports.
- 22) Growth in weekday flights as a percentage, for fourth quarter 2018 compared with fourth quarter 2017.
- 23) Tax amounts for each individual special item are calculated at the Company's effective tax rate for the applicable period and totaled in this line item.
- 24) Net adjustment related to presumption that all aircraft in fleet are owned (i.e., the impact of eliminating aircraft rent expense and replacing with estimated depreciation expense for those same aircraft). The Company makes this adjustment to enhance comparability to other entities that have different capital structures by utilizing alternative financing decisions.

- 25)** The GAAP annual tax rate as of Dec. 31, 2018 was 22.1 percent, and the annual non-GAAP tax rate was also 22.1 percent. See Footnote 4 Regarding use of non-GAAP Financial Measures for additional information.
- 26)** Calculated as an average of the five most recent quarter end balances or remaining obligations. The Net present value of aircraft operating leases represents the assumption that all aircraft in the Company's fleet are owned, as it reflects the remaining contractual commitments discounted at the Company's estimated incremental borrowing rate as of the time each individual lease was signed.
- 27)** The Equity adjustment for hedge accounting in the denominator adjusts for the cumulative impacts, in Accumulated other comprehensive income and Retained earnings, of gains and/or losses associated with hedge accounting related to fuel hedge derivatives that will settle in future periods. The current period impact of these gains and/or losses is reflected in the Net impact from fuel contracts in the numerator.
- 28)** Flight includes Cabin Service Support, Inflight, and Flight Operations. Ground, Customer, and Fleet Services includes Provisioning, Customer Services, Ground Operations, and Operations Coordination Center.
- 29)** First and second checked pieces of luggage, size and weight limits apply.
- 30)** Fare differences might apply.
- 31)** Each qualified organization is eligible to receive up to six roundtrip tickets per calendar year as part of the Tickets for Time Program.
- 32)** Based on Independent Sector's estimated value of a volunteer hour. For more information, visit: <http://www.independentsector.org/resource/the-value-of-volunteer-time>
- 33)** Includes Southwest's contributions to Employee health and welfare plans, workers' compensation insurance, and employer payroll taxes.
- 34)** 401(k) savings plan participation for 2017 has been revised to be consistent with current year and prior years' participation calculations.
- 35)** Conversions to MWh are based on default densities and heating values from the CDP guidance document, "Technical Note: Conversion of fuel data to MWh." We use this unit of measurement for consistency with our CDP reporting.
- 36)** Our energy and emissions related to the use of propane fuel for 2018 does not include propane used in forklifts.
- 37)** Water consumption is primarily for domestic use at our facilities.
- 38)** NO<sub>x</sub> and SO<sub>x</sub> emissions are reported in our annual emissions inventories for our DAL and PHX facilities. Data is from prior year due to air emissions reporting cycle.
- 39)** Definition has been revised to count only electric Ground Support Equipment (GSE) where there is a fossil-fueled alternative. Total numbers of electric Ground Support Equipment for 2014 through 2017 have been revised to reflect the revised definition.
- 40)** Purchases of renewable energy certificates (kWh) has been revised based on review of renewable energy certificate records for 2017.
- 41)** Waste and material recycled from aircraft and select facilities as part of Southwest's waste management and co-mingled recycling programs. Does not include international flights due to regulations that require waste from international flights to be incinerated. Does not include AirTran flights.